Management Advisory Report: Review of Longstanding Concerns with the Treasury Communications System Program

July 2001

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July 26, 2001

MEMORANDUM FOR DEPUTY COMMISSIONER FOR MODERNIZATION & CHIEF INFORMATION OFFICER

Pamela J. Gardiner

FROM: Pamela J. Gardiner
Deputy Inspector General for Audit

SUBJECT: Final Management Advisory Report: Review of Longstanding Concerns with the Treasury Communications System Program

This report presents the results of a multi-agency review of the Treasury Communications System (TCS) Program. The review was chartered by the Treasury Chief Information Officer's (CIO) Financial Management Division, in conjunction with the Treasury CIO Council. The review was conducted between February and June 2001 by team members from the Internal Revenue Service (IRS), Treasury Office of Inspector General, and Treasury Inspector General for Tax Administration (TIGTA). Due to the participation of different agencies, *Government Auditing Standards* were not applied during the review.

The TIGTA participated in this multi-agency review because of IRS management's concerns about the TCS Program. IRS concerns included billing and accounting problems, the TCS contractor's performance, and the allocation of overhead payments. These areas of concern were also the multi-agency team's primary focus.

In summary, the multi-agency team found the following:

- Efforts have been made to resolve outstanding billing issues and improvements have been realized. However, until the root causes of the billing problems can be identified and corrected, problems will continue to be experienced and resolving them will be resource intensive.

- The TCS Program has taken steps to institute Performance-Based Contracting and a Revised Award Fee Program; however, efforts in both areas have been inconsistent and have yielded limited results.

- The methodologies for allocating the TCS shared cost and the Working Capital Fund overhead cost appear reasonable, but the benefits associated with those costs are not understood by all stakeholders.

This report is being issued for your information only and does not require a response. The multi-agency team presented this report to and discussed it with the Treasury CIO Council on June 19, 2001.

Copies of this report are also being sent to the IRS managers who are affected by the report. Please contact me at (202) 622-6510 if you have questions or Scott Wilson, Assistant Inspector General for Audit (Information Systems Programs), at (202) 622-8510.

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Review of Longstanding Concerns with Treasury Communications System (TCS) Program

Report to the Treasury CIO Council
June 19, 2001

TCS REVIEW

Executive Summary

Inaccurate billing and inconsistent levels of service have impacted the Treasury Communications System (TCS) program since its contract award in 1995. Despite significant efforts to address these problems by numerous TCS stakeholders, these problems remain today and no single solution will correct all of them. Permanent solutions lie with both process improvement and systemic fixes, both of which have yet to be fully analyzed. Just as importantly, improvements can not be made without effective communication and dialogue between Treasury, the primary manager of the program; the contractor; and the bureaus and Departmental Offices customers.[1] However, establishing the lines of communication will prove a challenge for the Program Office because the longstanding dissatisfaction with inaccurate bills and inconsistent service levels have left most bureaus feeling as though they are not getting a return on their investment. In particular, the bureaus do not see the return for the amounts paid for shared costs portion of the contract. These circumstances make bureau customers reluctant participants in the program particularly when it comes to providing more resources to correct problems or provide enhanced services. The bureaus have little confidence that any additional funds to make improvements will be effectively used.

In the past seven months, Treasury, bureaus, and contractor staff have taken numerous steps to address inaccurate bills and the resulting backlog of unresolved billing issues. While most parties report some improvement, it is likely that many of the efforts may resolve current issues without addressing underlying causes. Continued emphasis on efforts to address the underlying causes could, in the long term, result in more consistent, accurate billing with fewer resources devoted to resolving outstanding issues.

Over the past two years, the Program Management Office (PMO) has initiated efforts to improve contractor performance. The PMO revised the Award Fee Program to focus on program priorities, however, it has been inconsistently implemented. Efforts to introduce Performance-Based Contracting have not been successful. The most immediate need for improvement in the contract management area lies with effective communication of the performance standards. This would include communicating the performance standards used by the Program Office to manage contractor performance, as well as the performance standards that the bureaus should expect the contractor to meet while performing work for them.

Similarly, effective communication of the cost and associated benefits of both the TCS program's shared costs and the Working Capital Fund Departmental overhead components of the program is needed. In the absence of a significant change in the program or its technical structure, the past methodologies for allocating shared costs and Departmental overhead costs are likely to be as equitable as any other and in the case of the shared costs preferable to the method most recently used. More importantly, the bureaus desire more information on the sub-components of the shared and overhead cost as well as the associated benefits of each. The method used to allocate shared costs and Departmental overhead for Fiscal Year (FY) 2001 was based on an average of historical rates that did not include the rate or data for FY 2000. This does not appear to be an equitable method since it may inflate the shared costs for

[1] For brevity, the report will refer to bureaus and Departmental Offices as either bureaus or customers.

bureaus whose FY 2000 costs had decreased but allow bureaus with increased costs to pay less than their share.

This report may provide all parties in this rather complex telecommunications structure with additional information and insights that may allow them to better understand the various components and related costs of this program. The additional information and insight may also allow those responsible for telecommunications services in the Program Office, Bureaus, Procurement Office, and Contractor to resolve their long-standing frustrations and problems. However, strained relationships among the parties, with regard to the level of telecommunications services provided and the related infrastructure and overhead costs may challenge the parties ability to overcome the underlying causes of these problems. The improvements made thus far in response to the OIG report may serve as a catalyst for strengthening the working relationships and communications among all stakeholders. The Bureaus, Treasury, Procurement, and Program Office may want to consider using these lessons learned as well as the current state of the telecommunications industry to assess both short term and long term telecommunications requirements and solutions. The recent advances in the telecommunications industry have led many organizations to gravitate away from highly centralized and privately controlled infrastructures. The Departments of Justice and Veterans Affairs experiences, among others, may serve as examples for future approaches to meet both Department-wide requirements for desired economies of scale and bureau specific requirements that satisfy specific mission needs.

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Purpose of Review

This past November, a report[2] by the Treasury Inspector General identified some longstanding concerns with the management of the Treasury Communications System (TCS) program. The concerns raised by the report were as follows:

- The shared costs and Departmental Offices overhead of the TCS program were not clearly discernable to its customers. Consequently, customers perceived that they were paying more than their share of these costs, and they did not understand what services were covered by the charges.

- Customers found it difficult to develop their financial plans and did not always know their TCS-related fund balances.

- Customers were not timely provided bills for recurring TCS charges and bills did not sufficiently describe the service provided. Bills also contained numerous discrepancies, and billing issues were not timely resolved.

- Program administration weaknesses including lack of guidance, contractor's failure to deliver and failure to hold contractor accountable, and inadequate inventory tracking systems have contributed to a view that TCS is not providing the value that it was intended to as a single network for the Treasury Department.

As a result of this report, the Treasury Chief Information Officer's Financial Management Division, in conjunction with the Treasury CIO Council, chartered a follow-up review of the TCS program. The team was tasked to focus primarily on three areas of concern: (1) the billing process; (2) the delivery of services within contract standards and within cost parameters and (3) the labor (cost sharing) allocation methodology. The purpose of the review has been to gather more information on the nature of the problems reported as well as the actions underway to address these problems. The ultimate intent is to identify steps that have either already been undertaken or should be taken that will lead to lasting solutions to these problems as they apply to this program or lessons learned for subsequent programs for providing Treasury with quality telecommunications services.

[2] Treasury Communications System (OIG-01-020)

Background and History on the Program

Purpose of the Program.

The Treasury Communications System (TCS) program was established to provide Treasury's bureaus and its offices with a variety of data communications services through a single contract vehicle. The contract, awarded in September 1995 to TRW Inc., is intended for the design, implementation, management, operation, maintenance, and enhancement of a data communications network for the Department of the Treasury and its bureaus. Its purpose is to provide a centralized network and management system to support its customers' missions by providing a wide range of data communications services.

Data communications services provided through the TCS program includes, among others, the following common services: Internet Access, Network Security, Network Operations & Maintenance. To support bureau specific requirements, the TCS program provides maintenance services to the installed base of equipment at more than six thousand locations across the country. The program also supports the bureau specific requirements (for new services and equipment) with network engineering support, procurement of services and equipment, and installation services.

In fiscal year 2000, the cost of the TCS program was $151,532,914.66[3]. Of this amount, $58,906,019.82 funded the shared portion of the program. The remainder of the program costs totaling $92,626,894 went to support bureau specific costs for recurring costs of circuits and equipment as well as monthly maintenance on that equipment. It also went towards bureau-specific projects such as IRS' CUP project and Customs conversion to Frame Relay Services.

The TCS program is funded through Treasury's Working Capital Fund (WCF). The WCF is used for programs that can provide common administrative services that benefit multiple bureaus. The goals of such programs are to reduce overhead costs, create economies of scale, and avoid duplication of services. At present, TCS is one of 26 programs in the WCF, which is managed by the Departmental Offices Financial Management Division. Though managed through the WCF, funding for the TCS program comes from the individual bureau's appropriations for telecommunications. In the case of the shared or infrastructure portion of the TCS program, each bureau pays an amount, which is determined by a cost allocation methodology. Costs that can be directly attributed to bureaus are billed directly.

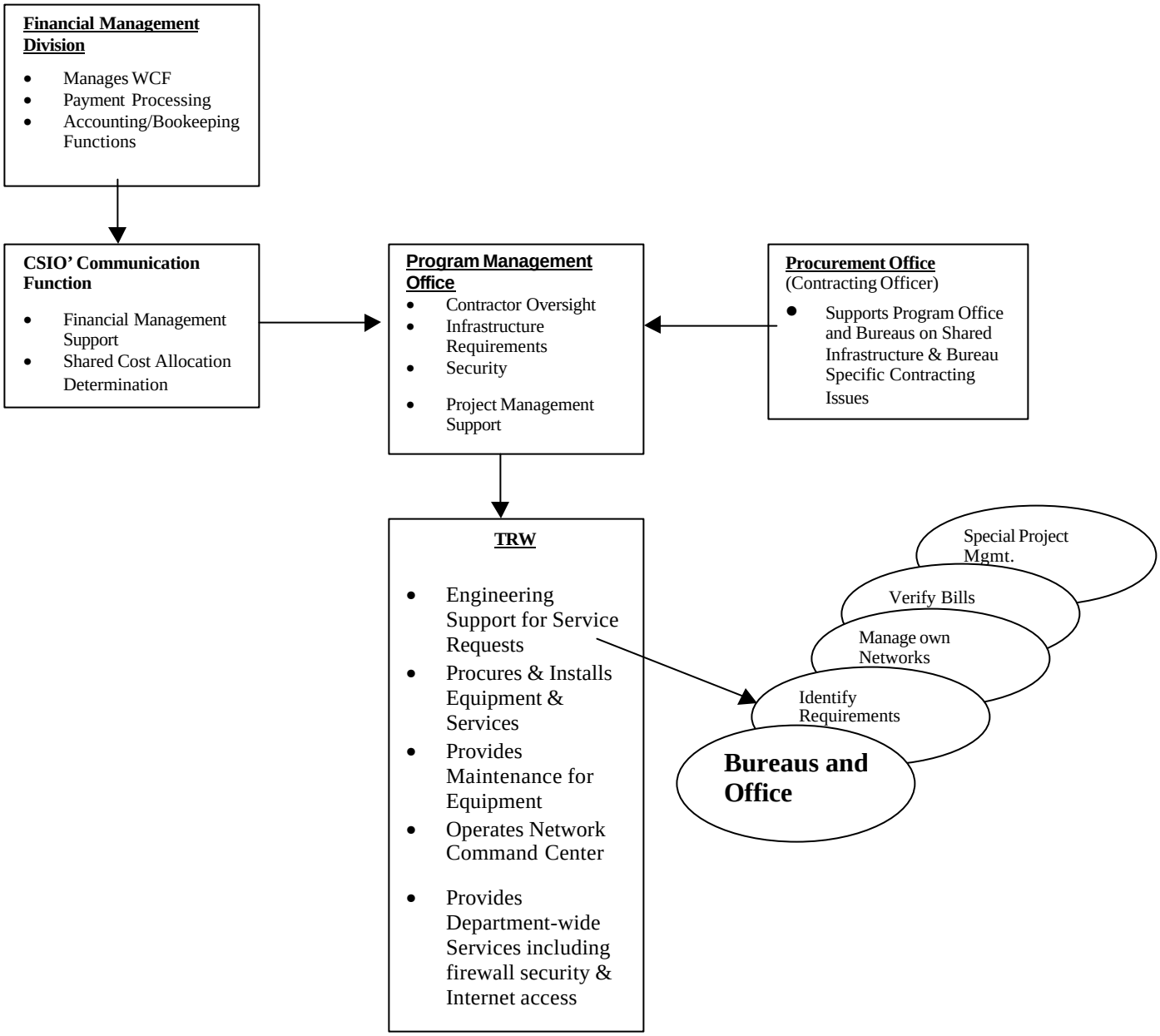
Management Structure for the TCS Program

Treasury's Customer Service Infrastructure and Operations (CSIO) Division manages the TCS program. Within CSIO, a Program Management Office (PMO) is responsible for direct, day to day management of the program including oversight of the TCS contractor. The PMO functions include operations, contract performance and business support services, security, and project management. In addition to the PMO, the CSIO's Communications office also plays a role in the TCS program by developing the budget and associated financial plans for the program including determining the shared costs allocations. Via a Memorandum of Understanding (MOU), the IRS Office of Procurement provides procurement support. The

[3] Source: TCS FY00-01 Variance Analysis.

contractor (TRW), has responsibility for implementing changes to and maintaining the data communications network. This includes engineering design, circuit and equipment ordering, and testing. TRW also has responsibility for a variety of administrative components of the program including processing and issuing an integrated invoice with charges from its subcontractors as well as the FTS charges on a monthly basis. The table below provides a high level view of the key organizations with responsibilities in managing the TCS Program.

Roles of Key Organizations in the TCS Program
(lines indicate general direction of support or oversight)



Historical TCS Program Management Issues

Since the contract award, the TCS program has faced significant challenges that have made achievement of TCS program goals of an integrated, common, cost effective communications infrastructure difficult. The original plans for the TCS program called for a single Treasury information infrastructure to aggregate services and consolidate into a single network from separate networks serving Treasury and its bureaus. When TRW took over the program in 1996, it was faced with the immediate task of providing support to manage the existing group of networks. For example, the inventory of equipment and circuits was grossly out of date and the previous contractor did not provide TRW with all the information it needed to transition smoothly. The transition was further complicated by the lack of administrative systems to manage the program. For instance, during the transition, TRW had to develop a system for generating bills. This, coupled with the fact that the billing is inventory based, resulted in an immediate billing backlog and numerous billing discrepancies.

Since the time of the development of the TCS concept, the telecommunications industry has undergone a tremendous amount of change. These changes have made it difficult to implement the private, dedicated network concept while at the same time providing timely and quality services. Because of the rapid change in communications technology, the original TCS business concepts of a private dedicated network has been replaced by ones in which organizations rely more on service type arrangements with commercial providers rather than maintaining their own dedicated systems. These commercial service providers have the responsibility for the ownership and maintenance of the telecommunications infrastructure.

Another challenge to achieving the goals of the TCS program has been the lack of a standard architecture for the services and equipment. Standard architectures are intended to provide organizations with common sets of hardware, software, protocols, and procedures that achieve the collective goals of economies of scale and elimination of unnecessary duplication while ensuring that individual program (bureau) missions can also be achieved.

The absence of an architecture has created another challenge in providing a consistent level of service and achieving the benefits of a common telecommunications infrastructure through shared services at reduced costs. Bureaus' requirements for telecommunications service and performance vary greatly according to their size and mission. Many of the law enforcement bureaus such as Secret Service, Customs, and the Bureau of Alcohol, Tobacco & Firearms have missions that require the absolute minimum of network down-time due to the critical real-time nature of their operations. Other large organizations such as IRS with its size and complexity require a variety of services. In addition, many of the larger bureaus have considerable telecommunications infrastructures outside of the TCS program that they manage themselves but must effectively interface with the TCS infrastructure.

These circumstances have likely contributed in some part to the three issues discussed in this report. The purpose of presenting this context is for consideration in identifying solutions to the current problems but also in moving forward to look at future options for delivering telecommunications services as the TCS contract is set to expire in 2005 and planning is necessarily already underway.

Scope of Work

Billing

We did the following in order to determine the effects of the Department's proposed corrective actions that address the findings in the November 2000 Inspector General report and, to understand the extent to which billing problems stem from bureau-controlled processes, Department controlled processes and/or contractor-controlled processes. We read prior consultant and audit reports that touched on program management as well as the billing issues. We identified and reviewed documented processes and procedures from the prime contractor (TRW) and the program office; some of these documents were still in draft. We performed numerous interviews with officials from the program office, the bureaus, and TRW to determine (1) the billing process from invoice generation through bureau review and approval, (2) the billing issue resolution process, (3) the effects/success of November 2000 proposed corrective actions, (4) the extent that problems still exist, and (5) if there are any new efforts underway to correct long standing billing problems. In addition to the interviews, in early April we conducted a survey of the bureaus and office (TCS customers) of which ten of the fourteen bureaus and offices responded. See Appendix XI for a summary of the responses.

Contract Performance Management

In order to understand the impact of moving towards a performance-based approach to contracting and a revised Award Fee Program, we did the following. We read prior consultant and audit reports that touched on program management as well as background documents on Performance-Based Contracting (PBC). This included researching federal procurement regulations, Treasury Acquisition Regulation, and other agencies' regulations regarding PBC. We identified and reviewed the modifications and supporting data that was used to implement PBC. We interviewed officials from the program office, bureaus, and Procurement Office involved with the TCS contract to obtain an understanding of their involvement in implementing PBC and the Award Fee Program and their views on the effectiveness of each effort. We reviewed available documentation to assess the extent to which both PBC and Award Fee structure were carried out as intended. As part of our survey of bureau and office customers, we asked each customer to comment on their involvement in both PBC and Award Fee efforts as well as their general knowledge of performance requirements and role in monitoring contract performance.

Shared Costs

To determine if the current cost allocation methodology for the TCS shared cost and the Departmental overhead cost reflect a reasonable apportionment to the bureaus, we completed the following activities. We met with the CSIO and TCS PMO management and staff and reviewed documents such as TCS financial work plans and related technical and/or cost proposals to determine the components of the TCS Shared Costs. We met with Treasury's Financial Management Division (FMD) officials to determine the components of the WCF overhead costs and the past and present methods used to allocate overhead among the WCF programs and the bureaus. We met with Department of Justice and Department of Veteran's Affairs which have similar Department-wide data communications programs to understand how they allocate shared costs. We also surveyed bureaus as to their understanding and satisfaction with the approach to allocating shared costs.

Positive Steps Are Being Taken to Address Longstanding Budget and Billing Weaknesses However Systemic Problems Remain

Over the past six months, the program office, contractor, and the bureaus have undertaken a variety of efforts to resolve outstanding billing issues and address some related issues. Our review found that these efforts have yielded some positive results. However, systemic problems are likely to continue until root causes and permanent fixes can be identified and implemented. In that regard, some efforts have been initiated to correct and fix systemic problems that could lead to more permanent solutions. Without correcting the root causes of the billing problems, the PMO, contractor, and bureaus will continue to react to problems as they occur which is likely to be resource intensive. The recent cutbacks in contractor infrastructure support for the program makes it even more essential to find lasting systemic solutions.

Background on Billing Problems

In November 2000, the Treasury Office of Inspector General (OIG) reported that TCS customers were not timely provided bills for recurring charges and maintenance trouble ticket charges for verification, and the bills did not sufficiently describe the service provided. Bills also contained numerous discrepancies, and billing issues were not timely resolved. Problems sited by the OIG included receiving bills for trouble ticket maintenance performed three years ago, and overcharging due to error in the billing system.

The OIG identified the following actions that could address some of the longstanding billing problems:

- establish a method as soon as possible to provide the Department and the TCS customers with an itemized and detailed explanation of all TCS costs, including a more detailed description of each charge along with supporting documentation;
- develop a financial management system to provide customers with detailed cost information and adequate documentation to manage their portion of the program, including current account balances;
- promptly resolve financial related problems and make adjustments to all affected customer(s) accounts when errors are identified, including errors found in shared costs and Departmental Offices overhead charges; and
- establish and maintain an accurate inventory and baseline.

Progress has been made in improving the accuracy of the billings as well as providing more information about the various charges. Five out of ten bureaus that responded to our survey reported an improvement in billing accuracy. The improvements came in the following areas: invoices are no longer posting charges against equipment and locations that are no longer in service, expected monthly charges are showing up, and credits have increased resulting from the resolution of disputed charges. The program office also reported to us that the number of complaints about billing problems has decreased.

Despite these improvements some bureaus still reported significant concerns with the accuracy of their monthly bills. Bureaus reported double billing, line items added to the bill for equipment maintenance without bureau action, multiple line items for each circuit, and no

action taken on Billing Issues Resolutions (BIRs). Two reported that it is difficult to verify the accuracy of billing without doing resource intensive analysis. For example, monthly billing is often done in "pieces" or partial billing rather than full monthly charge. In addition, there continues to be a backlog of unresolved billing issues such as charges for disconnected circuits and equipment.

We attempted to get information from the program office and the contractor on documented trends in the overall reduction in reported billing problems; however, the program office does not track that type of information. TRW officials provided us with a sample of billing metrics they have been using to track the resolution of some of the underlying problems they have identified.

Improvements Have Been Made

The program office and the contractor have made improvements in the billing process. The bureaus are also devoting more resources to the billing process. The following are actions that have been taken or are underway to address the issues raised by OIG.

- ***Establish a method as soon as possible to provide the Department and the TCS customers with an itemized and detailed explanation of all TCS costs.***

Beginning with Invoice Number 41, the bill is now sorted by separate delivery order for recurring charges and new work. This provides the bureaus a clearer distinction between their baseline costs and new costs.

The contractor developed six web-based query reports that provide the bureaus a method by which to view invoice data in various formats. Because the data are in both a PDF file and an Excel file, the bureaus can download the picture for its records or use the Excel spreadsheets to perform its own analysis. Most of the bureaus, which responded to our survey, found the web-based reports to be a useful addition to the paper invoice. A few found limited value because, from their perspective, it only replicated the paper invoice. Another commented that the utility of the reports would be improved if it contained information from prior invoice periods. After reviewing a draft of this report, TRW officials told us that bureaus now have access to ten months of prior invoice data. A few of the bureaus were not aware of the reports, but have expressed interest in getting access to them.

- ***Develop a financial management system to provide customers with detailed cost information and adequate documentation to manage their program***

The Corporate System Management-Financial Information and Tracking System (CFITS) was developed to enhance and expedite the invoice approval process. The web-based system allows the bureaus to view an electronic picture of its bill. CFITS also serves as the billing issues resolution (BIR) system for the government. Once billing discrepancies are identified during the review process, a bureau representative fills out a BIR form for each billing issue and submits it electronically through CFITS to the program office. The PMO forwards the issue to the contractor for research and resolution.

The PMO is developing a "Billing Users Guide" to better inform the bureaus on the billing process. At the time of our review, this document was still in draft. The guide is intended to

document the TCS invoice process from invoice generation by the contractor through the review/approval and resolution of customer payments. It is also meant to help the bureaus understand the invoice, and standardize the review and problem resolution process. Once implemented, this document has the potential to be useful in clarifying all parties' respective roles and responsibilities in the invoice generation, review, and approval process.

- ***Promptly resolve financial related problems and make adjustments to all affected customer(s) accounts when errors are identified, including errors found in shared costs and DO overhead charges***

In November 2000, the Procurement Office instituted the "Zero Billing Error Tolerance" policy. This allowed the bureaus to withhold payment if the invoice was incorrect. While the policy is no longer in effect, many of the bureaus credit the improvement in the accuracy of bills to this policy and practice.

The contractor has spent time with bureau representatives to work through the BIR backlog and both the affected bureaus and the contractor see this as a positive effort.

The contractor has efforts underway to develop its own BIR system. Much of the effort to resolve BIRs is currently conducted manually. The contractor believes its system will expedite the resolution of BIRs because it will require more information about the billing issue from the bureaus and it will allow the contractor to route the issue internally to the proper department to correct it. In response to a draft of this report, TRW officials told us that in recent months their access to CFITS BIR information has been restricted. According to these officials, this has made it more difficult for TRW to research and resolve billing issues.

CSIO office, which has budget and financial planning responsibility for the TCS program, has recently initiated an effort to enhance Treasury's ability to provide oversight of its telecommunications contracts. Its first step is to baseline what is known about each contract, including TCS. A contractor has been hired to conduct this assessment and document the baseline of the network. Work to document the invoice process has started and the contractor plans to evaluate the databases and subsystems used by TRW for generating its bills. The contractor will provide an independent assessment of the quality of the systems and processes used to generate bills and it will identify improvement opportunities. The same contractor completed a similar exercise for the IRS Modernization Design effort. This effort identified considerable inconsistencies between IRS site configurations and TCS invoice data. CSIO hopes to use the results of this effort to establish an Independent Verification and Validation (IV&V) capability for the program office.

- ***Establish and maintain an accurate inventory and baseline***

TRW has taken steps to address systemic problems by reconciling discrepancies between some of its internal data sources, which are used to generate bills. For example, it undertook an effort to resolve discrepancies between its engineering drawing database which provides information on site configurations and the billing section of its INMS system. According to contractor officials, this disconnect was a significant cause of billing problems from the contractors end. Contractor officials told us that they have established procedures for keeping this information current but the efforts are largely dependent on the ability of site installation personnel to accurately report changes when they install or replace equipment.

TRW officials provided us with documentation of "billing metrics" they have been using to track progress in resolving some of the systemic problems. This information includes the number of billing transactions without associated equipment identification. TRW officials explained to us that compatibility issues between two of their internal databases resulted in the elimination of equipment identification numbers. This occurrence made it difficult for bureaus to reconcile their monthly invoices. According to TRWs data since November 2000, the number of unidentified transactions has decreased significantly from 20, 691 unidentified transactions to 83. TRW has also been tracking its progress in resolving the problem of improper billing for disconnected circuits. TRW officials explained to us that this problem resulted primarily from circuit providers not timely disconnecting circuits. TRW's data shows that since August 2001, the total dollar value of improper billings associated with discontinued circuits has decreased from $160,797.41 to $20,123.67. Officials told us that they have taken action to suspend billings to the bureaus when questions arise as to the correctness of such charges.

Billing Problems Still Remain

Despite the improvement efforts, billing problems remain and could worsen unless more permanent solutions are found. Five of the ten respondents to our survey did not feel that the bills have improved. Two reported that it is difficult to determine the billing without doing time consuming analysis. Others bureaus reported double billing, billing for equipment maintenance without bureau action, multiple line items for each circuit, and no action taken on BIRs.

In addition, many of the efforts have focused on correcting existing problems and not identifying the underlying problems that may have created the problems in the first place. Ultimately correcting these problems may prove more cost effective than the effort it takes to repeatedly address problems through the BIR process or other ad hoc processes. Some of these systemic problems could lie within the processes used to populate the INMS databases and to generate invoices as well as the processes used to review and approve invoices.

Additional billing problems include no consistency from month to month for recurring charges such as maintenance and circuits. For example, a bureau cannot determine what a circuit is costing on a monthly basis because some months it gets billed for the circuits and some months it does not. Some months are not billed while other invoices contain multiple months worth. For example, one bureau provided us with documentation showing how its monthly circuit charges could vary from month to month. From October through February, that same circuit charge varied from $222 to $655 to $1, 446. This makes it difficult for the bureaus to review and identify discrepancies. It also makes it difficult to plan and forecast new requirements and budgets.

Officials from TRW told us that this was due largely to the fact that TRW does not always receive its bills in time from its subcontractors and/or FTS 2001 vendor in order to pass them along. TRW officials said that passing along a fixed monthly charge to bureaus might cause additional confusion because some elements of the monthly charges for items such as circuits may vary depending on usage rates, particularly in the "frame relay" environment. The bureaus have asked whether the contractor has Service Level Agreements (SLAs) with the subcontractor that require the bills to be delivered timely. The contractor does have SLAs with

its subcontractors but the PMO has not been able to get accurate information on the extent to which the SLAs address late billing. In response to a draft of this report, TRW officials stated that SLAs are available for review at any time and that they can clarify how the SLAs address late billing.

Through the surveys and discussion with bureau representatives, we found that significant time and resources are devoted to reviewing the bill and identifying and resolving issues. Three of the ten respondents assign one person, five assign between two to four people, and one devotes over 40 staff.[4]

While considerable resources have been spent to address unresolved problems, such as the backlog of problems, there are likely underlying systemic problems that may continue to result in inaccurate bills, or at a minimum, confusion as to the accuracy of the bills. This is evidenced by a large BIR inventory that continues to exist. IRS provided us with a record of its open BIR inventory. There were 124 open BIRs, each contained between two to one hundred line items with some dating back to February 1999. Other bureaus also have numerous open BIRs and some are a year or so old.

Some of the cause of the lack of timeliness and inaccuracy can also be traced to the Service Request Process. There seems to be confusion as to when items should appear on bills, for pre-approved services these items can appear before they are implemented while for services ordered through the regular process are not to be billed until they are installed. In responding to a draft of this report, TRW officials stated that they believe there is a clear understanding between the PMO and TRW as to when items appear on the bill and that perhaps this information needs to be better communicated to the bureaus.

[4] IRS has one full time person and the rest perform this duty on a part time basis

TCS Program Has Taken Steps Towards a Performance Based Contract and Revised Award Fee Program, However, Both Have Been Inconsistent and Have Yielded Limited Results

Over the past two years the TCS program has taken steps to improve contract performance. These have included efforts to institute Performance-Based Contracting (PBC) for selected projects and a revised Award Fee Program to ensure the overall priorities of the TCS program are achieved. While both offer opportunities to improve contract performance, efforts to implement PBC and the revised Award Fee Program have been inconsistent and yielded limited results thus far. In addition to these two efforts, other mechanisms such as Service Level Agreements and performance based deductions are options for ensuring acceptable performance.

The TCS program has tried to implement PBC with several bureau specific projects, however, these efforts have not resulted in commonly agreed to performance measures. In FY 2000, the TCS program established a series of performance measures and linked them to the contractor's semi-annual award fee. The intent of this was to ensure that contract performance met the priorities of the program. The establishment of these measures is a positive step, but they have not been effectively implemented. The award fee has not been timely administered and comprehensive monitoring and evaluation by all bureau customers has not been achieved.

As the primary customer of TCS services, bureau telecommunications management continues to lack adequate information on the performance levels that they can expect the contractor to provide. Bureaus that responded to our survey generally reported that they were unaware of or had little input into monitoring contractor performance. The most consistent issue raised by the bureaus in the survey results was that they were not aware of the key performance standards to which the contractor is to be held. Bureau knowledge of these standards is vitally important to all TCS stakeholders in terms of understanding the expectations for service delivery and identifying when performance is a problem and what appropriate actions can be taken to remedy performance problems.

As reported by Office of Inspector General

The Treasury OIG reported that, as part of efforts to improve customer satisfaction and enhance management of TCS, in October 1999, the PMO initiated performance-based contracting to be the umbrella for all telecommunications and information technology services. The OIG reported that at the time of its review, the PMO and contractor were jointly developing performance standards to articulate schedule and quality parameters to include performance incentives and penalties. The OIG also reported that customers perceived that the contractor was not complying with performance measures established by the TCS contract because sufficient or timely work had not been done.

Our look at PBC sought to understand the effectiveness of the efforts to implement PBC to date and the impact it has had on improving contract performance.

Efforts to implement PBC for the TCS Program

Performance-Based Contracting (PBC) is a contracting method designed to ensure that contractors are given the flexibility to meet performance objectives, as they best know how, while achieving the outcomes that the Government desires. The TCS contract was modified in September 1999 to provide authority to issue individual bilateral Task Orders and Delivery Orders under a PBC framework. Modifying the TCS contract to authorize PBC was intended to hold the contractor more accountable by including metrics for measuring the contractor's performance.

Since the modification to the contract in September 1999 authorizing PBC, the Program Office has attempted to implement PBC in Special Projects for selected bureaus. Special Projects are projects that support a specific bureau and are exclusively funded by that bureau. From our discussions with bureau, Program Office, and contractor officials, these efforts have not been effective. Most of the efforts have not resulted in the implementation of PBC type performance measures with incentives and disincentives. According to a TCS Program Office official, a key challenge to the implementation of PBC contracts has been the inability to establish the details of the performance requirements as well as agreed to performance incentives and disincentives prior to commencing work. PBC also requires an effective evaluation mechanism to ensure services are delivered as prescribed.

Several efforts were initiated with United States Customs Service (USCS), Internal Revenue Service (IRS), Treasury Integrated Management Information System (TIMIS), and the Bureau of Alcohol, Tobacco and Firearms (BATF), however, neither the Government nor the contractor were able to agree on terms for the work. According to procurement office, Program Office, and bureau officials we talked to, a key stumbling block was the negotiation of incentives and disincentives. There was little desire on the part of bureaus to provide additional funds to incentivize superior work. Similarly, there was little desire on the part of the contractor to accept disincentives.

For example, an effort was made to develop and implement PBC measures for USCS' Frame-Relay Services Project. However, TRW was unwilling to share the content of its service level agreements with its subcontractors and to commit to deductions if it did not complete its work by the fixed delivery dates. In addition, according to USCS, the priority needed to implement a project negated the time it was taking to plan and implement the PBC measures.

PBC was also attempted with the IRS's Communications Utility Program (CUP) Special Project. A Program Office official referred us to the CUP delivery order for details as to how PBC was implemented. We reviewed the CUP delivery order and found two performance measures, Availability Level (99.9%), and Mean Time to Restore (1-hour or 4-hours). These performance measures are not a result of PBC, but were taken from the base contract. According to CUP's project officer, the CUP delivery order does not contain any elements of PBC. Prior to the award of the delivery order, the project officer attempted to have PBC as well as service level agreements incorporated in the delivery order. IRS and the contractor could not come to an agreement, and the delivery order was negotiated as "best effort".

Officials from the TCS Procurement Office told us that a challenge for implementing any PBC contract is to properly define both the incentives and disincentives for performance. This takes

considerable training and up-front planning that neither party (Government or contractor) has been willing to invest in the current program climate. In addition, PBC requires a considerable investment of time and effort to properly plan and implement. Implementing PBC requires teamwork between the procurement office, program office, bureaus, and contractor.

Efforts to implement the Award Fee Program for the TCS Program

The TCS base contract contained an Award Fee Program (AFP) where the contractor could receive an annual monetary award based on how well it met certain performance standards. In the case of TCS, the standards were based on three major categories: Responsiveness, Performance, and Cost Management. However, the AFP for the base contract was never implemented. In Fiscal Year 2000, a modification to the base contract established a revised AFP. The modification included the Award Fee Determination Plan (AFDP), and it identified the award fee pool for the TCS Program. The award fee is to reward the contractor and incentivize the contractor to perform at a high level of performance.

An annual fee pool is set aside to reward the contractor in accordance with the factors set forth in the AFDP. The award fee pool is 3% of the annual TCS budget; and awarded on a semi-annual basis. The Government makes the unilateral decision as to what amount will be awarded under the AFP.

The AFDP describes and documents the basic procedures for the semi-annual evaluation, the reporting process, and the responsibilities of the evaluation officials. The group that implements the award fee process consists of the Fee Determination Official (Director, CSIO, the Performance Evaluation Board (PEB), the Contracting Office's Technical Representative (COTR) for Program Management and Administration, and appointed bureau Performance Monitors. Each member of the group has a distinct role and responsibility for carrying out the award fee process.

According to the AFDP, the contractor earns an award fee if an overall cumulative numerical rating equals 60% or more of the maximum cumulative points. The contractor is to receive the approved fee determination within 45 calendar days after the evaluation period. Payment of the contractor's award fee is to be accomplished within 60 days after the end of the performance period. The Fee Determining Official (FDO) will make the final decision as to the amount of the award fee earned during the performance period.

The Table below shows the award fee pools for the past two fiscal years.

Fiscal Year (FY)	Available/Funded	Amount Awarded
Base Contract	$0	$0
FY 2000-1	$1,424,113.49	$1,247,421.70
FY 2000-2	$1,424,113.49	
FY 2001-1	$1,400,000.00*	
FY 2001-2	*	

*Based on Delivery Order TCS-01-0184, dated October 1, 2000. However, in a memorandum dated December 21, 2000, from the TCS Contracting Officer' Technical Representative to the Contracting Officer, the award fee pool for FY 2001 is $3,857,065.68, semi-annual would be $1,928,532.84.

Fiscal Year 2000

For fiscal year 2000, the Program Office initiated the revised AFP basing it on factors and associated points (weights) consistent with specific TCS program priorities. Appendix IV shows the program priorities or performance measures and respective weights that were established for both the first and second half of FY 2000.

For the performance levels established in the first half of FY 2000, the contractor received an overall score of 87% thereby receiving an award of $1,247, 421.70 out of a total possible amount of $1,424,113.49. Contributing to the high score was the successful completion of Y2K remediation efforts, which was a heavily weighted performance standard/program priority.

As of May 4, 2001, the award fee for the second half of FY 2000 had still not been resolved. The award fee, to have been determined shortly after the completion of the performance period, was held up due to the concerns about billing accuracy. The contractor has provisionally billed the Government for the award, but no final payment has been made. According to program officials, despite concerns, billing issues were not weighted high enough to prevent the fee from being awarded.

As part of the mechanism to evaluate the contractor's performance, the AFDP established a reporting process whereby Performance Monitors were to submit bi-monthly evaluation reports and a Summary Evaluation Report on the contractor's performance. Bureaus input would be considered along with input from the Program Office, Contracting Officer, as well as Executives from the Performance Evaluation Board. The award structure was set up to have the Bureaus monitor and provide on-going evaluations of the contractor's performance. However, according to a Program Office official with responsibility for implementing the AFDP, bureaus have provided minimum input to the award fee evaluation. According to a Program Office official, out of a total of 16 performance monitors, the PMO received two Bi-Monthly Evaluation Reports and one Performance Evaluation Form from two bureau Performance Monitors. Our survey results and discussions with some bureaus, indicate the PMO has not consistently sought the involvement of the bureaus in the Award Fee Program. In response to our survey, four bureaus commented they had no input to the process for

determining the award fee. One bureau filled out an evaluation report to support or deny an award fee, but does not know the impact it had.

Fiscal Year 2001

The award criteria for Fiscal Year 2001 have not yet been finalized and it is unclear if, and how, the fee can be awarded for either the entire year period or a partial period. The first half of the fiscal year has passed without any criteria being agreed to. There may be an opportunity to implement measures for the remainder of the fiscal year, but reductions in the TCS budget will play a factor. Appendix V shows the measures that had been proposed by the Program Office.

Efforts to Implement Service Level Agreements

Another method for ensuring effective contractor performance is the establishment of Service Level Agreements (SLAs). SLAs are widely used in the information technology industry between a service provider and a customer to specify the services to be supplied and the standards that must be met by the service provider in delivering those services.

For the past two years, SLAs have been established between the contractor and two of its subcontractors for asynchronous transfer mode (ATM) and frame-relay services. Modification No. 0077 incorporated the initial terms, conditions, and price/costs of the SLAs into the TCS contract by reference. Although SLAs have been established, bureaus have raised concerns about their effectiveness in achieving desired performance and the extent to which the Program Office is ensuring that the SLAs are being followed. Currently, the Procurement Office is reviewing Mod No. 0077 to determine if the terms and conditions for SLAs need to be strengthened to ensure that benefits are passed on the Government.

In response to a draft of this report, TRW officials commented that they have identified "credits/benefits" that are due to the government as a result of implementing these SLAs. According to TRW officials, these credits are pending resolution of internal program account reconciliation efforts.

Prior Efforts to Ensure Performance

For a short time prior to the implementation of the PBC contract modification, the TCS program instituted an effort to encourage the contractor to improve its performance and timeliness. The effort included performance based deductions; Modification Nos. 0058 and 0065 incorporated performance deducts into the contract for the period June through December 1998. Performance deductions were implemented based on the contractor's ability to deliver a fixed workload each month. This performance requirement was documented as a fixed priced contract line item number (CLIN). If the contractor did not complete the workload, then a calculated amount was deducted from the fixed price amount. The Government assessed the contractor $174,351 in performance deducts for the June through December period. The performance deductions were discontinued in January 1999. According to officials from the TCS Contracting Office, the effort was successful in

improving the timeliness of delivery orders. Performance deductions are still an option today, however, as before, the terms of the deductions must be mutually agreed upon by the Government and the contractor. In addition, because the Infrastructure Labor portion of the contract has been changed from fixed priced to cost reimbursement, the PMO would incur increased burden and risk to provide direction and monitor the contractor's activities. This could make it more difficult to hold the contractor accountable for meeting established performance standards.

Bureau Views on Contract Performance:

The survey results indicate that a greater emphasis needs to be placed on informing and involving the TCS customer base in the contract performance management. This would be helpful to all program participants. For example, Procurement Office officials told us that while they often receive requests to address problems from both bureaus and the Program Office, the information provided is often insufficient for them to take action.

Of the ten bureaus who responded to our survey, most said that they played no role in monitoring contractor performance nor were they aware of key performance standards or reports that might be available to perform such measurement. Six of the ten continued to be dissatisfied with the performance of the contract. They cited examples of inadequate network monitoring and support, and failure to deliver services within a reasonable timeframe. One bureau reported that it has had two significant projects delayed since November and August 2000. For one of these projects the months long delays were caused by a combination of factors. These included confusion as to the need for certain security requirements, uncertainty of funding availability, and lack of information. While a temporary solution was eventually identified, the customer was still awaiting service delivery as late as April 13, 2001 due to unresolved security issues.

One bureau, though still dissatisfied, commented that the service request processing has improved in timeliness but that quality was still an issue.

The Prior Years Cost Allocation Methodology for the TCS Shared Cost and the Departmental Offices (DO) Overhead Cost Appear Reasonable, But the Benefits Associated with Those Costs Are Not Understood by All Stakeholders

Currently, the most prevailing concern regarding the TCS shared and Departmental Offices Working Capital Fund (DO/WCF) overhead costs is the lack of information available to the bureaus on the cost of, and the associated benefits of services provided through the shared cost components of both. Despite past efforts by management to explain these costs, bureaus would like details on how shared costs are being spent and/or invested and, above all, the resulting benefits that accrue to individual bureaus or the Treasury as a whole.

In November 2000, the OIG reported that the TCS shared costs and DO/WCF overhead were not clearly discernable to its customers. Consequently, the customers perceived that they were paying more than their share of these costs, and they did not understand what services were covered by the charges. According to the OIG, this condition existed because the method to communicate the breakdown and line item explanation of TCS program costs was not adequate. The OIG also reported that a review by the Gartner Group recommended that a rigorous analysis and evaluation of the entire TCS cost structure should be undertaken.[5] Such an analysis would establish the TCS Program's cost which could then be used to make sound investment and support/staffing decisions.

Our review found that the CSIO Communications Office is responsible for computing the shared cost and developing the financial plans, not the Program Office as the OIG had reported. In our discussions with that office, they indicated that they had not done an analysis such as the one recommended by the Gartner Group but they had looked at numerous options to compute the shared costs. We requested information on the options that were evaluated but the Communications Office was unable to provide them to us.

Bureau Concerns with TCS Shared Costs

Based on discussions and the survey, we found the following concerns.

- A primary concern is that while TCS shared costs usually make up a significant percentage of each bureau's overall contribution to the WCF, the value of the investment is not always clear.

- The bureaus have little concern with the basic methodology used to compute the shared costs and whether or not it is equitable but, from year to year, the bureaus have been concerned with the sources of the figures making up the costs.

- Other bureaus could not comment on the methodology because they said they had limited knowledge of it or the make-up of the shared costs.

[5] U.S. Department of the Treasury TCS Infrastructure Change Proposal Assessment Preliminary Progress Report dated April 6, 1999 (Infrastructure Change Proposal Assessment Engagement #29012590) prepared by the Gartner Group

Bureaus continue to ask for more information on the details of what is being provided through shared costs. Examples of details requested are:

- a breakout of the TCS Labor category to include the number of employees and a description of their responsibilities;
- an explanation of how the shared costs are tabulated;
- the actual amount of shared costs and the amount allocated to the bureaus;
- explanation of what caused expenses to increase; and
- information on what is being done to reduce shared cost and still provide quality service. Some bureaus have asked for one-on-one meetings with TCS management to gain a better understanding of the shared costs. Our survey results indicated that bureaus are still trying to get this explanation.

- Specifically, the bureaus have concerns about (1) what particular engineering services are being provided since some orders are for commercial circuits and limited engineering may be required, and (2) uncertainty about the value provided by the Network Operations Center (NOC) - some bureaus reported that they routinely call problems into the NOC and wondered about the extent to which the NOC was detecting problems on its own and resolving them.

- For some key components of the shared cost infrastructure, most bureaus understand and appreciate the value of these services. Examples include the Treasury Internet Architecture Service and firewall protection.

- Some bureaus raised concerns about the impact of the methodology used for FY 2001. This was due to the fact that they knew their prior year's circuit and maintenance costs were or would be decreasing. For example, during FY 2000, one bureau converted its circuits from Sprint to Qwest, which reduced its costs. However, the methodology for allocating shared costs for FY 2001 will not reflect that because the average of the prior years' (1998 - 2000) percentage rates was used instead of the actual circuit and maintenance costs for FY 2000.

- The labor pool supplied by TRW for Operations & Maintenance (O&M) supports O&M as well as special projects. The Program Office has expressed a desire to get a better picture on the resources TRW devotes to Special Projects versus general O&M.

How TCS Shared Costs Have Been Computed

Historically, shared costs have been based on actual direct costs related to maintenance and circuits. A bureau's percentage rate for shared costs for the next fiscal year was calculated by dividing its prior year actual cost for maintenance and circuits by the total actual for all bureau specific costs for maintenance and circuits from the prior year. This percentage has been used to estimate a bureau's portion of the shared cost for the financial plan. This percentage will also be applied to actual shared costs as they are incurred throughout the year. For FY 2001, a bureau's rate has been determined by taking the average of the four prior years' rate. This approach has been taken because some bureaus moved to FTS2001 circuits instead of commercial circuits. Appendix VI shows the total actual shared costs and the amount

allocated to each bureau for fiscal years 1998 - 2000. Appendix VII shows the figures used to calculate the TCS shared percentage for FY 2000.

Due to time, resource constraints, and information constraints, we were unable to determine whether the past and current allocation methods were equitable because this requires a highly proficient comprehension of the costs involved and how the changes in the costs affect the infrastructure costs and bureau specific costs. Some of the bureaus we spoke with reported that the allocation approach was a secondary concern as long as they could see more details on the associated costs and benefits of the services that are funded through the shared cost allocation.

Discussions with other Government Agencies

We met with the Department of Justice (DOJ) and the Department of Veterans Affairs (VA) to identify potential alternative options for allocating shared costs. We found that DOJ allocates shared costs based on bandwidth and VA allocates them based on the customers' total direct costs. We did not evaluate the feasibility of using these methods to allocate the TCS shared costs. Differences between the agencies in terms of the infrastructure make-up and/or the types of costs included as shared costs may make these other methods difficult to implement.

DOJ's telecommunications network is called the Justice Consolidated Network (JCN). DOJ does not have a network integrator like TRW that engineers, procures and implements service requests from initiation to job completion. However, it has a prime contractor that provides various types of support, including engineering analysis, to the JCN Program Management Office (PMO). Most of JCN's services are provided, including network management, through the FTS 2001 contract. JCN users/components can incur two types of costs: direct/specific and shared. Components incur specific costs when it orders equipment or service for its exclusive use. Shared costs include the infrastructure cost but do not include the costs associated with the JCN PMO or its prime contractor -- the latter two are funded by DOJ. The shared infrastructure cost is prorated to DOJ components based on their bandwidth use. The key to this allocation is that JCN is able to clearly identify a common factor for allocating shared costs to which everyone can agree, in this case bandwidth. Another factor is that much of the shared infrastructure consists of a common network backbone with network management capabilities, making it easier to allocate costs based on bandwidth. TCS' shared infrastructure includes a more diverse set of services and equipment that might make a bandwidth allocation less equitable. This requires knowing what and how much of the services each component is using. Every six weeks, the JCN Advisory Board, consisting of top DOJ senior telecom managers from each component, meet to determine the direction for the JCN. The managers are also informed of the total monthly bandwidth used and usage per component. This provides JCN customers with a regular status of how they are being charged for shared costs.

In 1999, the VA transitioned from a private wide-area network to a public network. Under the public network, VA does not have a network integrator that provides exclusive support to the customers and, like JCN, VA obtains services through the FTS 2001 contract. Since there is no integrator, VA customers must plan their network and will eventually take care of billing and service-related problems on their own. The Telecommunications Program Management staff, who previously managed the private network, serves as the Department liaison with the

General Services Administration and the FTS 2001 vendor, and provides direct customer support for service ordering and tracking, and billing and service implementation.

Currently, VA has not determined the amount of cost savings resulting from the transition to the public network. For example, individual circuit transport costs may be less under FTS 2001 pricing, but these costs do not include all local access or service fees and local taxes passed on to customers. Thus, the FTS 2001 pricing does not reflect total customer costs. Because of these conditions, there is no reliable method for comparing current costs with costs for the private network.

The VA customer has two types of costs: direct and shared. Direct costs are for services and equipment that were ordered by the customer for its exclusive use. Shared costs are for services/equipment purchased for the benefit of all customers. Direct costs are billed directly to the customer by the vendor. Shared costs are prorated based on the customers total actual direct dollar costs. A customer's percentage for shared costs is determined by dividing its actual direct cost by the total direct cost of all customers. This is similar to TCS' methods. The difference is that VA uses all direct costs for this computation, not just maintenance and circuit costs. VA's shared costs include funding for the Office of Telecommunications, which includes the Network Operations Center and the Program Management Staff.

Bureau Concerns with Departmental Offices/Working Capital Fund (DO/WCF) Overhead Costs

According to discussions and our survey, bureaus are still uncertain as to the benefits they or the Treasury are receiving for the DO/WCF overhead charge they must pay.

Treasury's Financial Management Division (FMD) has made efforts to explain the DO/WCF overhead in the past. To address DO/WCF overhead concerns raised by the OIG report, FMD officials responded that a statement of work was prepared for a contractor to determine if the DO overhead rate is fair and equitable across all WCF activities and programs. Currently, all programs under the WCF pay the same rate for DO/WCF overhead. When we asked about the results of this study, the current FMD officials informed us that the study was not performed. They did not know why the previous FMD officials initiated this action and subsequently decided not to go through with it. While our review did not determine whether or not the allocation is equitable, the information provided below is intended to provide the reader with additional detail on how (1) DO overhead costs are determined; (2) how these costs relate to other sources of DO overhead funding; and (3) what service those costs fund.

Background

Treasury's WCF is a revolving, no-year fund without dollar limitation. It provides certain common administrative services that benefit more than one bureau. For example, it provides telecommunications related services such as Security Programs, Telephone Operators, Emergency Preparedness Program; printing related services such as Printing Procurement, Printing & Reproduction, Printing & Graphics; and services provided under the direction of the Deputy Assistant Secretary for Information Systems such as the Digital Telecommunications System, Voice Messaging System, and Treasury Communications

System. The WCF provides these services on a centralized basis with the intent of reducing overhead cost; creating economies of scale; avoiding duplication of services; improving service quality; and making goods and services available to users who could not afford them except on a centralized basis.

Treasury's WCF is managed by the DO's FMD who determines how to allocate the WCF overhead among the WCF programs. As of March 19, 2001, the WCF had 26 active programs. All WCF programs submit their program requirements/costs to FMD in the form of financial plans. FMD uses the financial plan information as a factor in determining the rate used to allocate the DO/WCF overhead.

Total WCF expenditures consist of two types of costs: program costs and overhead costs. The program costs are costs directly associated with the operation of the program. The program costs are found on the financial plans that were submitted to FMD. The cost for administering the WCF programs from the Departmental Offices (DO) level are referred to as DO/WCF overhead because they are administrative in nature and do not result in direct mission related support to the programs. Services provided at the DO level are Budget Formulation, Budget Execution, Performance Measures, Accounting, Management Controls, Financial System Support Services, Personnel and Payroll, Procurement Services, Facility Services, and information technology services. Each program in the WCF may receive services from all or some of these functions.

How Overhead Costs Are Allocated Among the WCF Programs

The WCF overhead rates for 1999, 2000, and 2001 were 3.44%, 3.25%, and 3.57%, respectively. To determine the overhead rate, all financial plan requirements/costs are consolidated to develop the overall requirements in the WCF. Currently, the overhead rate is computed based on the financial plan dollars in each of the programs. The mathematical computation for the overhead rate is as follows:

> *DO/WCF Overhead ¸ Total Financial Plan = DO/WCF Overhead Rate expressed as a percentage.*

For example, for FY 2001, the estimated overhead amount to support all working capital funds was determined to be $9,156,901. The total dollar amount of the financial plans for the 26 programs in the WCF was $256,220,876. Thus, each WCF program will be charged 3.57% of its own program cost. For TCS, FMD used the best available financial plan information at the time, which was $142,570,000, to compute TCS' overhead share of $5,095,883. As instructed by the individual program management offices, the FMD distributes the WCF overhead costs among the bureaus within each program. In the case of TCS, bureaus are charged based on their TCS shared cost percentage rate. Appendix X shows a breakdown of the FY 2001 program costs and overhead for the WCF programs.

The total overhead cost cannot increase more than the inflation rate of 2% annually. Any amount greater than the 2% increase must be discussed with and approved by the programs. For FY 2001, overhead increased 28% after Treasury DO began including the computer maintenance expense (SEAT Management) as overhead. Prior to FY 2001, this expense was absorbed by the Salaries and Expenses - Direct fund.

How Overhead Costs Are Funded and Determined

Treasury's Departmental Offices activities are supported by 23 funds, for example the WCF, Salaries and Expenses - Direct (SE-D), Salaries and Expenses -Reimbursable (SE-R), Interagency Crime and Drug Enforcement, Counter-Terrorism Fund, West Virginia Training Facility, etc. Resources (labor and non-labor) under SE-D are reimbursed through SE-R and WCF for all DO supported services. The cost of the DO activities used to support the WCF and SE-R are charged back to the two funds as overhead (also referred to as DO or WCF overhead). Since the WCF and the SE-R do not have appropriated funds to pay for the overhead, they must allocate these expenses among their programs to recover the costs. The WCF overhead consists of salary and common costs (i.e., non-salary costs). Table A shows the actual FY 2000 expenditures for the WCF, SE-R, and SE-D. Table B shows the overhead costs broken down by salary and common costs.

Table A: Actual Expenditures for FY 2000

Fund	*FY 2000 Actual OH Expenses*	*FY 2000 Actual Program Specific Expenses*	*FY 2000 Total OH & Program Costs*
WCF	$7,169,988.81	$273,915,045.33	$281,085,034.14
SE-R	$687,605.93	$12,679,658.70	$13,367,264.63
SE-D	Not Applicable[6]	$133,851,939.50	$133,851,939.50[7]

Table B: Actual FY 2000 Salary and Common Costs for the WCF and SE-R

Fund	*FY 2000 Salaries (Actual)*	*FY 2000 Common costs (Actual)*	*Total FY2000 Expenditures (Actual)*
WCF OH	$3,425,535.74	$3,744,453.07	$7,169,988.81
SE-R OH	$492,974.19	$194,631.74	$687,605.93

Salary Costs

As of March 19, 2001, the FY 2001 projected overhead costs for the WCF was $9,156,901. Of that amount, $4,477,300 was for salary to cover the 52 composite Full Time Equivalents (FTE) and $4,679,600 was for common costs associated with both overhead services as well as direct program services provided by the Treasury DO. Salary dollars were based on a survey of actual time spent by each office in DO that provides administrative support to WCF. These hours are referred to as composite FTE. The last survey, taken in 1998, showed that a total of 52 composite FTE from DO provided administrative support to the WCF. Officials said that another survey should probably be done because they have noticed that the WCF is now using more accounting services than budgeting services. Currently, the resources are traced to the program level, e.g., the TCS Program and not to the bureau specific level. FMD management said that tracing the usage of resources to the specific bureau would require laborious accounting work and additional resources, both of which would increase the DO/WCF overhead cost.

[6] The portion of the shared costs paid by SE-D is a specific or direct cost, not overhead.
[7] This is the Departmental Offices' total S&E account.

For FY 2001, the budget for the 52 FTE was estimated at $4,477,300. Some of the services provided by the 52 FTE are invoice and payment processing, accounting/bookkeeping functions, preparing collection letters and collecting the funds for the accounts. The services provided come from the following cost centers in the Departmental Offices:

a) Office of Financial Management - This office includes the Accounting Office, Financial Systems, and the Budget Office. The Budget Office includes the WCF Budget Branch that oversees the WCF account and funds;
b) Office of General Counsel;
c) Office of Personnel;
d) Procurement Services Division;
e) Information Technology Services;
f) Printing and Graphics;
g) Facilities; and
h) Departmental Budget Execution

Common Costs

Common costs include expenses such as office supplies, rent, space, systems operations, and utilities. The DO/WCF overhead is charged a percentage of the common costs based on the number of FTE in WCF compared to the FTE in the SE-R and SE-D accounts. The common costs for FY 2001 budget is $4,679,600 and a breakdown of the costs is shown in Table C.

Table C: Itemized List of Common Costs Projected for FY 2001

DO WCF Overhead - Common Costs	FY 2001 Projected Cost
Domestic travel (MOC 2100)	$62,100
Transportation of Things (MOC 2200) such as Federal Express	$213,200
Other (MOC 23xx), e.g., - Parking - Warehouse Space - Copier Maintenance - Pagers/Telephones - Utilities (Electric/Steam/Water/Gas)	$732,400
Printing and Reproduction (MOC 2400)	$119,700
Other services (MOC 25xx), e.g., - Elevator Maintenance - Cleaning/Trash Services - SEAT - FTS 2000 - Payroll - DTS - Child Care (Subsidies for some DO employees using this service) - Health Services - EEO Complaint Processing - FFS Accounting Systems Support	$2,986,200
Supplies (MOC 2600), e.g., - Stationary - Copier Paper - Subscriptions (These are for the library which has books/information used by the bureaus)	$284,000
Equipment (MOC 2600), e.g., - Copiers - ADP	$281,900
Total Common Costs for FY 2001 (Projected)	$4,679,500.00

Matters for Consideration

The following are suggested actions that we think may enhance some of corrective actions already underway and ensure permanent solutions to longstanding billing problems. Still other actions can address some of the concerns in the areas of contract performance and shared costs. Our review did not include a complete evaluation of the roles and responsibilities of all stakeholders in the program. However successful implementation of these suggested actions will likely require clarification and communication of the respective roles and responsibilities of the Program Office, the CSIO Communications Office, the Bureaus, the Procurement Office, and TRW.

Billing

In order to ensure consistent attention is applied to ongoing concerns about billing issues and more lasting solutions identified and implemented, we are offering the following actions for consideration:

1. Program Office take a lead role in utilizing the services of the existing support contract to identify systemic causes and fixes to the billing process.

2. Establish a permanent process within the Program Office for handling customer account issues. The billing handbook can be a good start for clarifying roles and responsibilities of those involved in the billing process. The Program Office could assign each bureau a customer representative to serve as a liaison between the bureau and TRW for all issues. These duties could include:

    - working with the bureau to track each and every BIR submitted to the contractor;

    - ensure that the BIR is resolved within the 60-day time frame set up by the contractor;

    - work with the contractor to reduce the BIR cycle time;

    - initiate regular meetings with the bureau and the contractor to go over open BIRs and any other billing issues and funding balances; and

    - the customer service representative would play a similar role for tracking service order deliveries, and planning and budgeting for the future years.

3. In the case of the larger bureaus, it may be necessary to assign two customer service representatives--one primary and one to serve part-time as a back up.

4. Once the billing handbook is complete, the Program Office should take steps to implement it. Implementation should include an evaluation of its effectiveness with feedback from the bureaus on its usefulness.

5. Given the favorable responses from the bureaus regarding the web-based applications, the Program Office may consider reconvening the billing working group to discuss expanding their use to disseminate more detailed information without complicating the invoice

further. The working group could also work with the contractor to address ongoing concerns about the information available on each invoice as well as the inconsistency from month to month.

6. The Program Office could develop performance metrics to measure and track the overall progress in resolving billing problems. Such information is needed to understand the impact of efforts to resolve billing issues and target resources to address the problems that are still outstanding. This information could be shared with bureau contacts on a regular basis. Such information may be available from existing systems.

7. Program management officials could give additional consideration to how billing performance can be strengthened through the existing contract including contract performance requirements such as the award fee or other means available.

Contract Performance

1. In the current environment, PBC may be very difficult to implement. If PBC is to be implemented it must be a team effort with a commitment to the up front planning to determine the proper measures and associated incentives and disincentives that benefit both the Government and contractor. It must also be an effort with the proper scope and size that allow clear measures and incentives to be defined. It may be useful to attempt additional PBC efforts on Special Projects that meet such criteria. Any additional efforts to apply PBC can also serve as a learning opportunity to apply on a broader scale in the successor contract to TCS.

2. In future efforts to implement the Award Fee Program, the Program Office could ensure that the existing structure of the Award Fee Determination Plan is followed so that all stakeholders can provide proper input to the program priorities, monitoring, evaluation, and final determination as well as adherence to the schedule for implementing the award fee.

3. In its efforts to evaluate Modification 77, the TCS procurement office could ensure that the negotiated SLAs contain the performance measures that are equal to or exceed those required in the contract.

4. As bureau concerns with timeliness of service dictate, the Program Office could consider the feasibility of reintroducing performance deducts as an option for improving service

5. The Program Office could take steps to regularly inform the bureaus of to the primary performance measures it uses to manage contractor performance on a regular basis. The Program Office could also provide the bureaus with information on performance measures that they can use for monitoring performance from their own bureau perspective.

Shared Costs

1. In order to ensure that customers receive consistent information on the costs and benefits associated with the shared cost component of the TCS program, TCS program management may want to consider developing, as part of its management information system, a reporting mechanism that can readily show how shared costs are expected to be spent and the associated benefits to be accrued over the course of the year for regular operations & maintenance activities. Such a reporting mechanism could also include periodic updates on the performance of each cost category or investment. Such information could be useful not only in informing the customers of the services they could expect for the shared cost investment but also assist program management in evaluating the effectiveness of these activities that are supported through shared costs. For example, such a mechanism could describe the activities of the NOC, its associated costs and the expected and achieved performance results.

2. For the shared cost methodology, the TCS PMO may want to consider returning to a method based on prior year's costs. As reported earlier, the rate for FY 2001 was based on an average of the historical rates. This does not appear to be an equitable method since it may inflate the shared costs for bureaus whose costs had decreased but allow bureaus whose costs had increased to pay less than their share.

3. To provide more detail on the costs and benefits associated with the DO/WCF overhead, the Treasury's Financial Management Division (FMD) could provide the TCS program and bureaus, a description of the costs, activities and benefits associated with the DO overhead and how those costs are expected to change from year to year. Such information could include a detailed explanation of how invoices and payments must be processed; how an increase in program costs increases overhead costs; and how it is more beneficial for FMD to collect and process bills and payments as opposed to the bureaus doing it themselves. Since this has been a longstanding concern of the bureaus, this should be done by the end of FY 2001 and as needed thereafter.

4. Due to the possible changes in the type and amount of labor resources used by the WCF, FMD officials recognized that another overhead survey should be conducted. The results would be used to determine the proper salary costs to be charged to the WCF overhead. We agree that this information should be updated and another survey conducted and completed in time for the results to be used for the FY 2002 budget planning.

List of Appendices

The Monthly Billing Process

The monthly billing process gathers circuit information, integrates data, formats data, distributes reports, and oversees invoice payment. It can be thought of in terms of three steps (1) submission and integration management, (2) bill generation and distribution, and (3) bill review for approval, rejection, and payment. The following is a description of the process as derived from interviews with bureaus, contractor, and PMO officials, contractor documentation, and a draft of the "Billing Users Guide."

Submission and Integration

Submission and integration management is the process in which data files are received, stored, and maintained in a database for the network baseline. The Integrated Network Management System (INMS) is the main database repository. The TCS billing subsystem is the repository for billing data that has been extracted from tables in the INMS. It calculates, tracks, and reports billable costs, and supports user queries for research and budget analysis. The billing subsystem accesses the CLIN inventory tables to obtain price, location, and ownership data. This is where the reoccurring maintenance charges come from. One-time charges are automatically passed from the service order system to the billing subsystem. Commercial and FTS 2000/2001 Circuit charges are obtained on electronic media monthly. After verification against the circuit database, these charges are loaded in the billing subsystem. Hourly CLINs are billed manually outside of the INMS system.

Bill Generation and Distribution

Bills are generated on a monthly basis through the INMS billing subsystem. The monthly bill is a series of reports designed to provide insight into the costs charged. There is one invoice per delivery order. Every bureau has at least 2 delivery orders if not more. The entire bill contains the following reports: TCS delivery order summary; TCS Grand Summary by Delivery Order; Monthly Recurring Charges for Maintenance; TCS Network Purchases and One-time Charges; Monthly Recurring LTOP charges; Circuit Charges by Location and Circuit Id; and Corrections Changes. The bill is transmitted to Treasury both electronically and in hard copy. The paper copies are distributed and reviewed by the following organizations: TCS Contracting Office; TCS PMO lead Contracting Officer's Technical Representative (COTR); Customer Service Infrastructure Operations (CSIO) Financial Office; and the Financial Management Division (FMD). The CSIO delivers the hard copy format to the bureaus for a five-day review process. The FMD scans the hard copy invoices into the CSIO Financial Information and Tracking System (CFITS) for the approval/disapproval process.

Bill Approval Process

The paper copies are distributed to the following organizations: TCS Contracting Office; TCS PMO lead COTR; CSIO Financial Office; and the FMD. The bureau is to review the bill and complete an electronic Disbursement Approval Form (DAF) where the bureaus indicate whether they approve the bill and/or are withholding funds from the bill. If the bureau withholds partial payment, it must state the reasons on the DAF with the exact amount

withheld. The CSIO verifies that there is adequate funding available in the Working Capital Fund (WCF) and approves the bill. The COTR reviews the outstanding issues and approves the bill if there are none to be investigated. The contracting officer reviews and approves the bill based on contractual terms/conditions and recommendations provided by the COTR. Finally, FMD approves the bill and payment is issued to the contractor thirty days after receipt of the bill.

The Billing Issues Resolution Process

Billing Issue Resolution (BIR) is a process in which the customer, or Bureau, requests the contractor to investigate and resolve a discrepancy on a monthly bill. If there is a billing issue, the bureau must generate a BIR in the CFITS system to initiate a correction. The BIR is submitted to the PMO who should ensure that the required information is present and the issues are clarified before the BIR is delivered to the contractor. Within 20 days after receiving the original invoice, the COTR delivers the BIR to the contractor for investigation and corrective action.[8]

The contractor researches a BIR and then categorizes it as valid, non-valid or incomplete. If the BIR is valid, corrective action must be taken and documented within sixty days of receipt. The contractor will notify the appropriate subcontractors or circuit vendors and then makes the adjustments to the next bill. This adjustment may not be reflected until three months or more depending on the timing of change made by the subcontractor or FTS 2001 vendor. If the BIR is non-valid, the contractor prepares a detailed explanation for the COTR. The contractor then rebills the government for any amount that was withheld from the original bill on an "alpha invoice" (e.g. invoice 50A for rebilled charges originally billed in invoice 50). The "alpha invoice" follows the same procedures as the original invoice and it must be paid within 30 days of receipt. If the BIR is incomplete, unclear or has insufficient supporting data for the contractor to identify and correct an issue, the contractor notifies the government within five days of the receipt. The government must reply within five days with a clarification or supporting documentation otherwise, the bill will not change and, if there was a withhold, an alpha invoice is submitted to the government for payment.

[8] The billing issue resolution document, including supporting information, must be provided to the contractor within 7 days if a bureau intends to withhold payment of an invoice as a result of the BIR in question.

Background on Performance-Based Contracting

Performance-Based Contracting (PBC) is based on the concept that when contracting for specialized services, the contractor is in the best position to determine how to accomplish delivery of the final product or service. PBC is not a specific contract type, but an approach for contracting for services by which the statement of work is written to describe the end result or product deliverable rather than how the work will be conducted by the contractor.

A major challenge to implementing PBC across the government has been expressing contract requirements in "outcomes". In the past, the Government was culturally ingrained to working under highly defined statements of work and telling the contractor how to do its work. Under PBC, the Government needs to be able to describe the specific results, and let the contractor determine how they will achieve those results**.**

PBC means structuring all aspects of an acquisition around the purpose of the work to be performed as opposed to either the manner by which the work is to be performed or broad and imprecise statement of work. PBC emphasizes objective, measurable, performance requirements and quality standards in developing statements of work, selecting contractors, determining contract type and incentives, and performing contract administration. The uses of PBC methods enhance the Government's ability to acquire services of the requisite quality and to ensure adequate contractor performance.

Federal Acquisition Regulation Subpart 37.6 implemented Office of Federal Procurement Policy Letter 91-2 requiring that 1) agencies use PBC methods to the maximum extent practicable when acquiring services, and 2) agencies carefully select acquisition and contract administration strategies, methods, and techniques that best accommodate the requirements[9]. In addition, agencies shall justify the use of other than PBC methods when acquiring services, and document affected contract files. Some of the key elements of PBC including the Performance Work Statement are listed below:

- **Performance-Based Work Statement (PWS)** – is the foundation of PBC. The PWS describes the outcomes of the services and provide criteria for measuring and verifying performance, but the PWS does not dictate the specific methods that must be used to achieve this outcome. The key aspects of a PWS include: a description of the expected outputs or outcomes; a statement expressing the performance characteristics; a definition of the environment in which the service are to be performed; and measurement criteria that permit both contractual parties to gauge actual versus expected performance.

- **Performance Requirements** - are statements describing the required services in terms of outcome to perform the work. The requirements must be stated in clear, concise, commonly used, easily understood and measurable terms.

[9] Office of Federal Procurement Policy's (OFPP) Policy Letter 91-2, defines "Performance-based contracting" (PBC) as structuring all aspects of an acquisition around the purpose of the work to be performed as opposed to either the manner by which the work is to be performed or broad and imprecise statements of work (SOW) which preclude an objective assessment of contractor performance. It is designed to ensure that contractors are given freedom to determine how to meet the Government's performance objectives, that appropriate performance quality levels are achieved, and that payment is made only for service that meet these levels.

- **Performance Standards** - shall be used to assess the efficiency and effectiveness of the performance-based services under the contract. Performance standards shall be stated in terms of outcome or output. Standards should include elements as what, when, where, how many, and how well the work is to be performed.

- **Quality Assurance Plan (QAP)** - describes how contractor performance will be measured and assessed against performance standards. A QAP, which directly corresponds to the performance standards and measures contractor performance, is needed to determine if contractor services meet contract PWS requirements.

- **Incentives and Credits (Deduction)** – where appropriate, are used to encourage performance that will exceed performance standards. Negative incentives are deductions for failure to perform a required task up to required quality levels.

The PWS, Performance Standards, QAP, and Incentives are interdependent and must be compatible in form, style, and substance and should be cross-referenced. For a procurement to be true PBC, it should contain PWS, QAP, and appropriate financial incentives.

Fiscal Year 2000 Award Fee Program Priorities

1st Half of FY 00	Award Fee %	Earned Award Fee %	Earned Award Fee	2nd Half of FY 00	Award Fee %
Complete Y2K Remediation & Testing	20%	94.1168	$268,044.64		
Enhance TCE Service Delivery Performance/Customer Satisfaction	15%	85.7142	$183.085.53	Enhance TCE Service Delivery Performance/Customer Satisfaction	10%
Generate Program Management Master Plan/Schedule/Metrics	10%	78.5708	$111,884.81		
Reduce X.25 Network	10%	86.2068	$122,758.48	Reduce X.25 Network	20%
Maintain TIAS Availability	10%	88.8888	$126,577.65		
Develop TCE Service Based Offerings	10%	994.7367	$134,905.06		
Timely and Accurate Billing	5%	74.9999	$53,399.92	Timely and Accurate Billing	5%
Reduce Cost of Service	8%	92.3076	$105,156.81	Reduce Cost of Service/Establish Implementation Fees	9%
Provide Timely Delivery of Milestones and Data Requirements Descriptions	5%	90.0000	$64,080.00		
Establish and Maintain Service Level Agreement Metrics	7%	77.7777	$77,528.81		
All other Tasks				Special Project/Delivery Order Performance	10%
				Improve Operations & Maintenance Support	10%
				Establish & Maintain FR/ATM SLA Metrics	10%
				Finalize Development and Pricing Methodology for TCE Service Based Offerings	9%
				Deploy Services via Commercial Service Model	7%
				Streamline Service Request Processing and Improve SRE Efficiency	5%
				Develop Revised Network Maintenance Concept	5%
TOTAL	**100%**	**100**	**$1,247,421.70**		**100%**

Fiscal Year 2001 Proposed Performance Measures
"DRAFT"

Performance Requirements	Performance Measures/Objectives
Program Oversight & Control	Delivery of Program Management Master Management Plan (DRD-010) and schedule that integrates major milestones for Program level activities and all Special Project Delivery/Task Order. PMMP must reflect a comprehensive assessment of milestones, deliverables and critical path items. Complete major miles as identified in DRD-010.
Data Requirement Descriptions (DRDs) and other Deliverables	Timely delivery of all specified DRDs and other Deliverables with complete and accurate documentation in accordance with contract provisions established under Appendix B of Infrastructure CP.
Performance to Cost	Manage infrastructure costs at or below the total estimated cost (price less base fee) of the CLINs set for the in Contract Mod. 01-0101 the core infrastructure Delivery Order, i.e. $24,218,670. Interim assessment at end of the evaluation period is based on an evaluation of the contractor's estimate to complete.
Billing Accuracy	Improve billing accuracy and increased effectiveness of the utility of the TCS billing system. Billing Invoice Resolution within 60 days. TRW provide resolution to BIRS within 60 days of receipts by TRW.
Invoice Timeliness	Month / Invoice No. / To Customer Dec 00 / 52 / 12/28/00 Jan 01 / 53 / 1/30/01 Feb 01 / 54 / 2/26/01 Mar 01 / 55 / 3/28/01 Apr 01 / 56 / 4/30/01 May 01 / 57 / 5/29/01 Jun 01 / 58 / 6/28/01 July / 59 / 7/30/01 Aug 01 / 60 / 8/24/01 Sep 01 / 61 / 9/28/01
Maintain TCS Internet Access Solution Availability	Maintain TIAS availability at ≥ 99.9%.
Minimize Operation Trouble Ticket Average Time to Resolve	Maintain an average of 8 hours for the resolution of all operational trouble tickets.
Percentage of Operational Trouble Tickets Closed within 8 hours	Maintain percentage of operational trouble tickets resolved within 8 hours.
FR/ATM Service Level Agreement Compliance	Implement SLAs between Government and TRW in second six month rating period.
Service Delivery Performance//Customer Satisfaction	Implementation fees Availability of INMS support capability for Implementation fee. (e.g. daily report generator)
Customer Satisfaction Based on Lucent Survey	Overall customer satisfaction based on the customer satisfaction survey.
Special Projects:	
USCS Frame Relay Implementation	Complete CUSTOMS implementation. Complete the CUSTOMS frame-relay implementation within the review period (October 2000 through March 20010.
TIMIS: complete all work on 12 known TIMIS SRs at 38 sites	By the end of 2nd Qtr. FY –01 complete all work on the 12 known TIMIS SRs and the 38 associated sites. Counting will be based on number of sites in site operational status.
IRS CUP Project:	Reduce time from carried notification of service activation to completion of all TCS provisioning activities. Complete all upgrade work on 526 sites on order with TCS as of September 30, 2000, on SRs issued after March 31, 2000. Complete all work to deliver the Form 8871 web presence into operational use by IRS and taxpayer. Assist the IRS migration away from legacy point-to-point circuits by identifying by March 31, and drafting Service requests for IRS submittal as appropriate, for replacement of 400 legacy point-to-point circuits.
ATF: Complete Transition to Quest by April 2001	Complete the ATF transition to Qwest (October 2000 through April 2001)

Allocation of Actual TCS Shared Cost for 1998 - 2000

1998				1999				2000			
Alloc ID	ActID	AllocPercent	AllocAmt	AllocID	ActID	AllocPercent	AllocAmt	Alloc ID	ActID	AllocPercent	AllocAmt
47	ASD	0.05%	$ 22,047.62	60	ASD	0.06%	$ 29,826.21	84	ASD	0.11%	$ 51,757.49
47	ATF	3.09%	$ 1,261,123.77	60	ATF	2.32%	$ 1,216,898.96	84	ATF	1.11%	$ 535,697.58
47	BEP	0.08%	$ 30,866.67	60	BEP	0.13%	$ 67,672.48	84	BEP	0.10%	$ 47,072.12
47	BPD	0.10%	$ 39,685.71	60	BPD	0.09%	$ 47,648.55	84	BPD	0.03%	$ 14,265.06
47	CSM (OTM)	0.08%	$ 30,866.67	60	CSM (OTM)	0.00%	$ -0-	84	EOAFJ	4.87%	$ 2,357,988.82
47	EOAFJ	3.79%	$ 1,549,947.57	60	EOAFJ	6.09%	$ 3,191,614.34	84	EOAFT	0.26%	$ 124,104.67
47	EOAFT	0.20%	$ 81,576.19	60	EOAFT	0.32%	$ 168,001.77	84	FINCEN	0.03%	$ 16,804.97
47	FINCEN	0.09%	$ 35,276.19	60	FINCEN	0.04%	$ 23,535.97	84	FLETC	0.07%	$ 32,974.42
47	FLETC	0.06%	$ 26,457.14	60	FLETC	0.03%	$ 17,769.92	84	FMS	0.92%	$ 446,976.06
47	FMS	0.92%	$ 374,809.51	60	FMS	0.22%	$ 117,627.45	84	IRS	71.06%	$ 34,377,923.09
47	IRS	75.01%	$ 30,655,008.55	60	IRS	63.01%	$ 33,029,358.30	84	MINT	0.28%	$ 134,748.25
47	MINT	0.29%	$ 119,057.14	60	MINT	0.16%	$ 86,019.00	84	OCC	0.08%	$ 37,034.87
47	OCC	0.09%	$ 35,276.19	60	OCC	0.10%	$ 52,418.65	84	OIG	0.29%	$ 141,316.42
47	OIG	0.19%	$ 79,371.43	60	OIG	0.15%	$ 80,410.21	84	OTS	0.00%	$ 1,250.47
47	OTS	0.01%	$ 4,409.52	60	OTS	0.04%	$ 20,810.20	84	TIMIS	0.82%	$ 395,712.63
47	TIMIS	1.00%	$ 408,676.47	60	TIMIS	1.38%	$ 723,115.28	84	USCS	19.06%	$ 9,221,814.72
47	USCS	12.96%	$ 5,295,837.93	60	USCS	18.52%	$ 9,709,821.05	84	USSS	0.74%	$ 356,331.58
47	USSS	2.00%	$ 817,352.94	60	USSS	7.32%	$ 3,836,101.64	84	OSEP	0.05%	$ 25,688.12
Total		100.00%	$ 40,867,647.21	60	CDFIF	0.00%	$ -0-	84	CDFIF	0.03%	$ 15,492.72
				60	NAFTA (ITDS)	0.00%	$ -0-	84	NAFTA (ITDS)	0.07%	$ 32,478.03
					Total	100.00%	$ 52,418,650.00	84	HRSP	0.03%	$ 12,702.92
									Total	100.00%	$ 48,380,135.00

Source: TCS PMO Contractor Support (Booz-Allen & Hamilton)

1999 Circuit and Maintenance Costs Used to Calculate the Shared Cost Ratio for FY 2000

Bureau	Circuits & Maintenance (C&M)*	Invoice #35 Total*	Total divided by C&M = Shared Cost Rate
ASD	$44,744.01	$41,824,309.70	0.106981%
ATF	$463,107.05	$41,824,309.70	1.107268%
BEP	$40,693.54	$41,824,309.70	0.097296%
BPD	$12,332.05	$41,824,309.70	0.029485%
CDFIF	$13,393.36	$41,824,309.70	0.032023%
EOAFJ	$2,038,465.88	$41,824,309.70	4.873878%
EOAFT	$107,287.68	$41,824,309.70	0.256520%
FINCEN	$14,527.79	$41,824,309.70	0.034735%
FLETC	$28,506.17	$41,824,309.70	0.068157%
FMS	$386,407.88	$41,824,309.70	0.923883%
HRSP	$10,981.59	$41,824,309.70	0.026256%
IRS	$29,719,489.25	$41,824,309.70	71.057931%
NAFTA (ITDS)	$28,077.05	$41,824,309.70	0.067131%
MINT	$116,488.98	$41,824,309.70	0.278520%
OCC	$32,016.40	$41,824,309.70	0.076550%
OIG	$122,167.12	$41,824,309.70	0.292096%
OSEP	$22,207.21	$41,824,309.70	0.053096%
OTS	$1,081.03	$41,824,309.70	0.002585%
TIMIS	$342,090.98	$41,824,309.70	0.817924%
USCS	$7,972,198.40	$41,824,309.70	19.061160%
USSS	$308,046.31	$41,824,309.70	0.736525%
Total	**$41,824,309.70**		100.000000%

Source: TCS PMO Contractor Support (Booz-Allen & Hamilton)

* These are FY1999 costs.

TCS Shared Cost Components

Infrastructure Labor O&M • Management/Operational Programmatic Support (CLIN 244000) – $22.7 M; 1,891.7 Staff Man-Months • Service, Delivery, and Implementation (CLIN 245000) – $10 M; 997.0 Staff Man-Months • Network Security (CLIN 246000) - $.5M; 30 Staff Man-Months • New Services (CLIN 247000) -$2.3; 147.0 Staff Man-Months (The figures for the subcategories, totaling $35.5 M, are based on the contractor's earlier proposal amounts. These are presented for a rough breakdown of the each cost. We were unable to obtain detailed figures for the revised $31 M figure.)	$31,000,000
Treasury Internet Architecture Service (The figures for the subcategories, totaling $1,260,700, are based on the contractor's earlier proposal amounts. These are presented for a rough breakdown of the each cost. We were unable to obtain detailed figures for the revised $1.13 M figure.)	$ 1,130,000
Network Operations Center (NOC) • Shared Time & Material – Maintenance (NOC) = $2,725,000 • Shared Facility Leases & Physical Security = $5,008,000 • Oracle License Yearly Renewal = $210,000 • Decentralized Internet Architecture/Upgrade = $427,000 [*NOTE: The cost information provided by the TCS PMO totaled $2,912,380.]	$ 8,370,000
Shared Performance Based Award Fee-Contractor	$ 4,776,084
Program Administration & Customer Service • Government Staff Salaries/Benefits/Overtime = $1,981,754.86 • Travel (Local & Long Distance = $78,000 • Training = $84,000 • General Office Supplies/ADP Support = $470,000 • IRS Background/Fingerprints MOU for Contractors = $413,750 • IRS Contracting Staff MOU = $728,552 • Verizon/Bell Atlantic Mobile = $30,000 • Financial Technical Labor Support (Booz Allen) = $999,000 • Technical Support Contractors (DynCorp) = $3,600,000	$8,385,056.86
Total Shared Costs:	$53,661,140.86

Sources: 1) TCS FY00-FY01 Variance Analysis and 2) TCS Bureau Work Plans (in lieu of FINPLAN) - Account Details vs.6

Additional Information on the TCS Shared Costs

The following is additional information on the services provided through the shared cost categories identified in Appendix VIII.

Shared Ongoing Operational Requirements - TRW:

1) ***Infrastructure Labor O&M*** are costs for operations and maintenance, program management, program management support services (PMSS), and security for the TCS Program. To show what the TCS infrastructure costs covered, the TCS staff provided us with the Infrastructure Staffing Change Proposal (R4) (IP) for the period December 1, 2000 through November 2000. The IP has two parts: 1) TCS FY01 Infrastructure Change Proposal Volume I. Technical and Management Proposal (November 22, 2000 59986.201R4) and 2) TCS FY01 Infrastructure Change Proposal Volume I. Cost Proposal (November 22, 2000 59986.201R4). The costs for October and November 2000 were included in the extension of the FY 2000 effort. We obtained the following information from these documents. [Note: The figures for the subcategories, totaling $35.5 M, were taken from the IP. These are presented for a rough breakdown of the each cost. We were unable to obtain detailed figures for the revised $31,000,000 amount.]

   a) Management/Operational/Programmatic Support (CLIN 244000) – $22.7 M
   Program Management has overall responsibility for the technical baseline, cost and schedule, program control, resource requirements, performance-based metrics, and TCS internal processes and procedures. It provides technical personnel and resources necessary to perform Program Management; Quality Management; Contracts/Subcontracts Management; and Information and Industrial Security Management.

   b) Service, Delivery, and Implementation (CLIN 245000) – $10 M
   This includes the staff necessary to process service requests from end to end, including security devices on new installs. This proposal includes the staff needed to support a steady-state service request/service order (SR/SO) workload of 59 SR/SO per month with an average of 3.2 sites per service order. CLIN 245000 will be implemented as identified in Section 1.3 of the proposal unless the government chooses to implement the fee for service schedule.

   c) Network Security (CLIN 246000) - $.5M
   The cost and description for this item was not clearly explained or shown in these documents.

d) New Services (CLIN 247000) - $2.3M
The cost and description for this item was not clearly explained or shown in these documents.

2) ***Treasury Internet Architecture Service (LTOP & Circuits) Costs*** are the costs associated with the equipment purchase for Internet services implemented in late FY99. These costs represent the 36-month LTOP payment. The IP showed that costs included annual recurring charges and upgrades for bandwidth; two new mail servers; two new firewalls; Log Server Upgrade; Treasury Log Analysis Server; Configuration Management Tool; two firewall management workstations; Enterprise News server and the recurring and nonrecurring labor associated with the aforementioned; training and seminar costs required for Value Added Services; and a contingency cost of 25% to allow for differences in estimated and actual costs. *[Note: The IP showed amounts for the subcategories as $1,260,700 which were based on the contractor's earlier proposal amounts. We were unable to obtain detailed figures for the revised $1,130,000 amount.]*

3) ***Network Operations Center* (NOC) *Costs*** are the costs for the maintenance of all equipment installed and utilized in the shared facilities of TRW, the leases and annual Oracle license renewal, decentralized internet architecture/upgrades, and system security and labor. The TCS PMO stated that the NOC cost of $8,370,000 was itemized in Appendix F pages F-41, 42, 44-52 of the IP[1]. However, these items only totaled $2,912,380. Due to time constraints, we were unable to meet with the PMO to reconcile the $5,457,620 difference. We requested but were unable to obtain the following information from the PMO concerning the NOC operations*:*

   - *Does the NOC monitor all circuits and notify customers when there is a problem with a circuit, router or encryptor?*
   - *Will the NOC automatically try to resolve the problem or does it wait to hear from the customer before taking any action?*
   - *How many people work at the NOC?*

4) ***Shared Performance Based Award Fee*** - Award Fee Costs are 3% of the total annual TCS contract amount paid to TRW. Award fee costs do not apply to FTS2001 circuit charges, FMD charges (e.g., depreciation), and other Government charges.

[1] TCS FY01 Infrastructure Change Proposal Volume I. Technical and Management Proposal dated November 22, 2000

Shared Program Management - Non-TRW:

1. ***Program Administration & Customer Service Costs*** are the costs of Corporate Systems Management (CSM) to operate the TCS Program, such as Government staffing, space, office supplies, communications, and ADP support.

a) Government Staff Salaries/Benefits/Overtime = $1,981,754.86
This budget includes salaries for the 19 FTE in the TCS Program Management Office (PMO). The FY01 Annual Salary, Benefits & Cash Award information shows six vacancies. The positions shown on the organization chart dated 10/25/00 are:

- TCS Program Manager and Deputy Program Manager with four government employees directly reporting to them;
- Engineering & Advanced Concepts - 2 government employees;
- Operations PM Branch with three government employees;
- Contract Performance and Business Support Services PM with 2 government employees (but positions are vacant);
- TCS Security (TIO) with 1 government employee;
- Project Management Branch with 2 managers and 3 government employees. Each branch has some contractor support.

We were unable to obtain details of the roles and responsibilities of the positions above.

b) Travel (Local & Long Distance) = $78,000
Travel costs were projected as 5 days of long distance travel as a total cost of $2,800 per person. The average cost per month for local travel was estimated to be $200 per employee. The $78,000 was based on 15 employees.

c) Training = $84,000
The Budget Narrative states that this represents the costs of TCS customer support, strategic goals, staff training, and includes off-site visits for planning, coordinating, and technical assistance for the Bureaus. As directed by Program Management, this cost was based on an allowance of $5,600 for 15 employees.

d) General Office Supplies/ADP Support = $470,000
These are the costs of office and stationary supplies, subscriptions, pagers, phones, and ADP materials. We were unable to obtain a list by item and cost.

e) IRS Background/Fingerprints MOU for Contractors = $413,750
The narrative states that these are the costs of background checks and fingerprinting done in support of the TCS Program by the IRS. We were unable to obtain a copy of this MOU or get an explanation of how the amount was calculated.

f) IRS Contracting Staff MOU = $728,552
This is the amount that the Department of the Treasury, Departmental Offices, agrees to pay the IRS for procurement/contract management services in support to the TCS for the DO office of Corporate Systems Management. These costs include salary and benefits of $703,552; Overtime of $5,000; Travel of $5,000, and Cash Award/Incentive of $15,000 for a staff of nine.

g) Verizon/Bell Atlantic Mobile = $30,000
The budget preparer received an email stating that this amount should be budgeted for cellular services. It appears that a justification or a detailed computation for the cost was not prepared.

h) Financial Technical Labor Support [Booz-Allen & Hamilton (BAH)] = $999,000
These are costs allocated to BAH for a range of financial support activities including budget generation and updates, program funding certification, budget execution, and expense allocation for the TCS Program.

Direct Labor		
Task Staffing	$791,663.10	
Program/Project Management	$87,082.94	
	Total Direct Labor	$878,746.04
Other Direct Costs (ODC)		
Local Travel	$5,000.00	
Non-Local Travel	$30,000.00	
Other	$9,000.00	
	Total ODC	$44,000
Fee @ 8.25%		$76,126.55
	Total Estimated Cost	$998,872.59

The following are the technical support activities provided by BAH:

- Provide semi-monthly time reports for each work request by date for each employee. Prepare monthly status reports providing a summary, in narrative form, of the work done on each work request.

- Financial management support to the CSIO Data Program. This involves collecting data for budget formulation, preparing the budget (Financial Plans), monitoring program expenditures, performing quarterly reconciliation reports, conducting other financial analyses and providing recommendations for the CSIO Data Program as required.
- Provide recommendations on new business processes and a new organizational structure, as required, to improve CSIO financial management operations. They are required to review and analyze current business processes and documentation of workflows.
- Provide documentation of 1) data sources for establishment of a baseline of data circuits for the TCS program; 2) identified sources of invoicing errors; 3) new invoicing processes and provide recommendations to CSIO to improve invoice accuracy. Identify data sources to establish a baseline for DTS and DOTTS equipment. Develop portal concept of operation and identify commercial tools to support portal.
- Provide market overview of convergence technology. Develop architectural framework for voice/data convergence.
- Define business processes for service order/financial management of the VPN Program as the first phase in the development of a management information system to assist in the management of CSIO telecommunications programs. This involves developing the TCS Financial Control System (TFCS) which should be a modular and flexible system for providing management, tracking, and analysis information for TCS-related costs and services to CSM, TCS Program users, and Government approved civilian users.

i) Technical Support Contractors (DynCorp) = $3,600,000

The narrative stated that these are costs allocated to Dyncorp for continuing maintenance of the web-enabled invoice certification and requisition/delivery order generation system, and maintenance of and upgrades to the computer infrastructure in support of the TCS Program. However, the Statement of Work (SOW) and Technical Task Proposal Response for the Term Task Order entitled *Planning and Management/Technical Implementation Support to the Treasury CIO Organization and Treasury Communications Enterprise (TCE) [Revision 3 dated 10/6/00]* shows more responsibilities. The scope of the SOW includes assisting the Treasury CIO Organization and the respective CSIO Program Management Offices (PMOs) to facilitate and accomplish comprehensive technical support services and general systems support in the implementation, operation, and enhancement of the TCE. We did not receive the related cost information, so we do not know if the $3,600,000 pays for all or some of the services listed in the SOW which are shown below.

? C.3.1.2.2 Program Management Support: Administrative, Critical Measures/Critical Success Factors - For all support functions, provide general

administrative support that includes milestone schedules, event/action logs, calendar of meetings and events, databases, and the master correspondence files of government program activities.

Assist in developing the TCE Program Plans/Schedules, format, and content. Content will include recommendations and best practices to establish metrics and success factors critical to the management oversight of the operations/actions and schedules to satisfy the TCE Contract requirements and objectives.

Assist in developing recommendations and best practices for assessing the reasonableness and validity of associated costs.

? C.3.1.2.3 TCS Service Request/Service Order Traffic Management Office (SR/SO TMO) - Staff and operate the SR/SO TMO for the TCS component of the TCE; receive and process incoming SRs and SOs; acquire COTR approval on bureau approved SOs; notify bureaus of COTR approval; maintain the SR/SO TMO SR/SO Tracking System and the hard copy record files of approved SOs and all delivery orders; track and maintain current status of all delivery orders; and monitor and track the TCS Contractor invoicing and Bureau approved SOs against Bureau Blanket delivery orders.

? C.3.1.2.4 Contract Management and Documentation Support for the TCS PMO/Other TCE Programs COTRS - Assist the PMO COTRs in the management and administration of the TCS Contract (and other TCE Programs Contracts as directed by the PMO) and delivery orders, including establishment of a database and tracking system. This includes establishing and maintaining a financial tracking system to identify delivery order dollars awarded and the record of approved invoiced expenditures against these delivery orders. Specific notification will be made to the COTR when expenditures against delivery orders reach a 75% level.

? C.3.1.2.5 Contractor Technical Plans and Deliverables Support - Develop and maintain a tracking and status reporting system to assist the government in tracking all TCS/designated TCE program milestones. Assist the government in meeting responsibilities required by the respective TCE Programs/Contracts for reviews and approvals.

Assist in reviewing and evaluating TCE Contractor deliverables to identify content problem areas and recommend improvements.

? C.3.1.2.6 Budget Process Support - Assist in developing and processing budget planning activities for forecasting and funding of mission-driven user services requirements for the TCE; in assessing the reasonableness and cost effectiveness

of projected TCE Contractor's costs for the two major components of delivery of contract services; and in developing and implementing TCE service-based cost recovery methodology and billing processes.

? C.3.1.2.7 Property Management Support - Advise and assist in establishing the approach, required actions, and schedule to establish and satisfy the government's property management oversight system, it processes, and database procedures that will fully satisfy government responsibilities related to Property Management requirements of TCE Systems.

? C.3.1.2.8 Contract Standards Compliance Support - Assist in assessing compliance with all standards requirements it the TCE contracts; ensure contractor complies with the most current published requirements standards; and inform and advise the government on the availability and mandatory status of relevant standards.

? C.3.1.2.9 Acceptance Test Support [Independent Verification and Validation (IV&V)] - Maintain and update list of documents, schedules, and performance information support needed to assist and/or perform IV&V support in tracking and assessing the completion of Acceptance Tests and related activities. Maintain an oversight schedule to ensure satisfactory completion of government responsibilities for information/assistance or direction to the contractors to satisfy the TCE Contract requirements.

? C.3.1.2.10 Information Security and Physical Security Service Support - Conduct information security and physical security (facilities) analyses for information systems and facilities to develop requirements; make recommendations; and provide implementation support for security modifications when requested. Provide security certification/accreditation support to achieve System Security certification as required.

? C.3.1.2.11 Services Delivery Oversight and Performance Evaluation Support - Assist in all aspects of performance assessment of services delivery, including requirements analysis, preliminary design reviews, detailed design reviews, Implementation timeline and customer satisfaction with services delivered. This includes assessments of the TCE Contractor's user help desk and Trouble Ticket reporting and related corrective actions.

Assist in assessing problems and resolving user concerns on billing relating to services; planning, implementing, and evaluating training requirements associated with user service needs; disseminating information about TCE services at all levels of user organizations.

? C.3.1.2.12 Quality Management Operations/Quality Assurance Support - Assist in monitoring the TCE Contractors' implementation of quality assurance; developing and administering spot checks, evaluations/tests to measure compliance with contractual requirements.

? C.3.1.2.13 Training Support - Assist with ongoing review of requirements for and oversight of the effectiveness of TCE training in light of changes in the users' needs for TCE services including the commercial services under the TCS Contract, and other initiatives for new TCE services.

Appendix X **Appendix X**

FY 2001 Program and Overhead Costs Listed by WCF Programs

(1) *Program Office*	*(2)* *Program Requirements/ Costs*	*(3)* *Overhead allocated per program based on 3.57% rate*
Security Programs	$627,404	$22,425
Emergency Preparedness Program	$1,659,508	$59,315
CSM/CIO Liaison & Business Services	$8,606,943	$307,635
Treasury Communications System	$142,570,000	$5,095,832
Digital Telecommunications System	$29,029,300	$1,037,585
National Telecommunications & Information Administration (NTIA)	$553,500	$19,782
Wireless Radio Services Support	$975,000	$34,849
Information Systems Security	$935,572	$33,440
Information Technology Workforce Improvement Program	$550,492	$19,676
Automated Systems Division (ASD) – Telecommunications Center	$3,486,345	$124,611
ASD -VAX Usage	$306,557	$10,957
ASD - Equipment Reserve	$350,000	$12,510
Intelligence Support	$415,343	$14,845
Office of Public Education	$180,554	$6,446
Office of Financial Systems Integration	$1,556,414	$55,630
Small & Disadvantaged Business Utilization	$916,575	$32,761
Procurement Program	$951,745	$34,018
Office of Business Innovations	$683,412	$24,427
TIMIS	$27,833,390	$994,840
Printing Procurement	$1,140,081	$40,750
Printing & Reproduction	$1,782,751	$63,720
Printing & Graphics	$1,432,264	$50,871
ASD - Telephone Operators	$639,613	$22,861
Office of Personnel Policy	$781,862	$27,946
Human Resources System Program	$2,326,028	$83,138
Human Resources System Program – Direct	$25,939,223	$926,030
Totals	***$256,220,876***	***$9,156,901***

Source: WCF Budget Call FY 2001 Proration Of Administration Cost FY 2001 Financial Plan Requirements - Original

Survey Results

Questions	Answers Summarized From 10 Survey Responses
1. Have you seen improvement in the accuracy of your monthly invoice?	Yes—5 No—5
2. If yes, how has it improved? What actions or changes do you attribute this improvement to? If you have not seen an improvement and/or there are still significant problems, please explain.	Improvements are attributed to the withholding payment, which may have provided some incentive for the contractor to correct BIRs. Able to sit down with contractor and correct BIRs. For the bureaus still experiencing problems, it is difficult to determine the billing without performing time-consuming analysis; and there is no easy to use status-tracking mechanism in place. Invoices continue to lack sufficient detail for verification; monthly amounts not consistent on circuit charges that should be static. Double billing, lines items added for equipment maintenance without bureau action, and untimely action on BIRs cited as continual problem.
3. Please provide a brief description of the monthly process you use to verify TCS invoices prior to approving them for payment	Review certain sites to see if corrections took place, compare to delivery orders received, and have TCS site coordinators review the bill for accuracy. Another bureau tracks items from the service order and the bill of materials and compares it to the invoice. Smaller bureaus compare to last month's bill and to what services they expected from the service requests. For the larger bureaus, it a very time consuming process.
4. What resources do you devote to verifying invoices?	Time and staff
5. How many persons are involved in verifying the invoices and at how many geographic locations?	One-person (4) At least one is full time on this effort. Two-three persons (5) More than three (1) Locations: One (8) More than one (2)
6. Describe or provide your procedures for maintaining your inventory of TCS equipment	At least five bureaus maintain a central database of inventory. Many perform yearly inventory verification; one even verifies monthly. The smaller bureaus rely on TCS invoices or the Departmental Offices to do an inventory.
7. Do you reconcile invoices with your own inventory data? If not, what do you use to verify the accuracy of your invoices?	Yes—6 No—3 N/A—1 (Not applicable)
8. Do you trace (track) invoices back to specific service orders?	Yes—6 No—3 N/A—1
9. Are you aware that, as a result of the billing work group, the contractor now provides	Yes—6 (Although it appeared that some confused these web-based reports with the CFITS system) No—4 Some of these four were made aware only by this survey and were planning to look into

Questions	Answers Summarized From 10 Survey Responses
bureaus the ability to view an online invoice in multiple formats via query reports? If yes, has this been helpful in verifying bills? If so, please explain	obtaining access to the system. Many found the reports very helpful in analyzing their bill and tracking resolution of erroneous past bills. Many feel the system could be more helpful by including more than one month's information so that historical facts can be researched and total costs could be calculated.
10. Have you found other uses for these reports and if so, what benefits have been gained	Only IRS has found it useful to send pieces of the invoice to managers in other geographic locations of the IRS for review of certain items rather than making a copy of a 2000 page document.
11.From your experience, what ideas or suggestions do you have that would do the greatest to address the longstanding issue of billing accuracy?	The long-standing issue of billing accuracy should be addressed by the following: 1) incorporate stronger, more concise language into the contract, which better defines errors that, are not permissible and which assess a specified penalty to the contractor. This penalty must then be enforced. 2) Further language should be added to provide specific timetables for resolution of issues that are more in line with commercial accounting standards. 3) Yet additional specifics should be included in the contract language which allows agency to require very specific backup documentation from the contractor in support of charges billed. The language and requirements must be enforced. 4) FMD and PMO should show full support for withholds and rejections of invoices when a bureau can demonstrate just cause for taking these actions. 5) The contract should require TRW submit monthly invoices simultaneously to both Treasury and the Bureau so that individual agencies have the full seven (7) days in which to review the invoice and still be in compliance with Prompt Payment Act. 6) When the bureau can demonstrate a recurring, chronic problem which the contractor has been notified of on several occasions with no corrective action being take, the zero tolerance policy should be enforced. Other bureaus indicated that the contractor should put resources on billing issue to hopefully speed up process of TRW reacting to BIR's. Other suggestions included: 1. Improve the level of detail to sufficiently identify specific monthly charges by location. 2. Eliminate monthly inconsistencies for circuit charges that are static in nature to avoid monthly ups and downs in charges for same circuit(s). 3. Improve timeliness of billing statements regardless of LEC/CLEC billing process lags to avoid several months of no billing, followed by a lump-sum amount due for "catch-up" purposes. 4. Implement quarterly or semi-annual reconciliation of Bureau invoices.
12. What role do you have in monitoring contractor performance?	Some bureaus indicated that, as an end-user, it is very limited. Others indicated that they monitor it closely and work directly with the contractor on issues.
13. About two years ago, modifications were made to the contract to (1) introduce an element of Performance-Based Contracting and (2) improve the method for determining the award fee. a) To date, what has been your	a) None—6. Other answers included: • Provide feedback to the Wide Area Network Section and to the vendor on their installation and maintenance activities. • PBC appears to be nonexistent. The bureau and contractor have never come to terms on service level agreements until the project was close to over. • I acted as a Bureau Performance Monitor and I submitted one report. Treasury seems to have lost interest in this program as I have not heard any more about it and have not been requested to comment on the performance of the contractor. • Determine the technical services required for bureau, initiate SR's (service request), provides technical assistance, monitor contractors performance and project progress.

Questions	Answers Summarized From 10 Survey Responses
involvement in Performance-Based Contracting? b) Similarly, what input have you had to the process for determining criteria for or the determination of the semi-annual award fee? c) What has been the impact of either of these changes in terms of contractor performance?	Provide feedback on customer support and technical reliability. The contractor's knowledge of requested services and their work performance is a major asset in solving IT solutions. b) None—9. Other answers included: • TCS sends us a questionnaire to fill out to either support or deny an award fee. The impact our feedback has on TRW's award fee is unknown. c) None—8. Other answers included: • Lately, TCS has been more responsive to requests, particularly the internet group. • Seems to have improved.
14. What has your experience been with related Service Level Agreements? Do you currently have a Service Level Agreement in place with the program office?	• None—8 Other answers included: • The Program Management Office has told us that we do not have a binding Service Level Agreement for our bureau specific project. We are operating under the specifications in the initial TRW contract. These specifications are obsolete. None of our current systems would function under the specifications identified six years ago. We would like to see an annual review of the contract to make modifications that identify current technology specifications. • SLA's have become an industry standard and offer a real benefit to customers. The bureau does not currently have a SLA with TCS. We would very much like to see SLAs established. • Yes for the firewalls.
15. Do you receive any reports on contractor or overall program performance? Do they serve your needs? If not, please explain.	No—9 Weekly status meetings and report on bureau service order activity.
16. To your knowledge, what are the key performance standards that the contractor must meet? Are they appropriate measures for contractor performance? If not, please explain.	None—6. Other answers included: • The contractor must meet timeliness standards. Many of our rollout projects are tied to circuit installation dates. The contractor must also keep to industry standards for circuit response times, reliability, and restoration times. • The TCS contract "key performance standards" are unknown. The key performance standards should be circuit downtime, billing accuracy, and reasonable prices for the products and services provided. • Some key performance standards set for contractors to meet includes, but are not limited to: posses adequate technical knowledge in area of requested services, be proficient and timely with installations, provides accurate project status reports to the CO and COTR, present professional conduct at all times. • The contractor must be able to provide technical service to the Bureau with regard to the connectivity to the outside world without a lot of down time.

Questions	Answers Summarized From 10 Survey Responses
17. What information have you been provided regarding service response times – either response to service requests or reported problems?	None—3 • The Program Management Office (PMO) and TRW provide us with updates for reported problems. • SR processing has improved in the last two years, in terms of speed, however, accuracy is still a problem, and BOM is especially bad. Account management has also greatly improved in the last two years, very responsive. Still a problem with response to tickets related to security (encryption). Replacement of an encryptor can take a site down for three days minimum. • The only known TCS input is the "Active SR Status" report. • First hand experience: Response times to problems are usually very good. Response times to service requests are good. • I have received handouts via Email and faxes on the enhancements made to improve response times to reported problems and service request. • Depending on what the problem is I have received daily responses. For instance if I call in a trouble sometimes I have to call back to see if someone has worked on it. If it is about down time on their end they usually call within 2 hours to let me know the system will be down.
18. In general, are you satisfied or dissatisfied with the level of service provided by the TCS program? If you are dissatisfied, please explain what causes you to be dissatisfied.	Generally or lately satisfied—3 No—2 (Total of 7 dissatisfied)Very dissatisfied the bureau thinks the whole program is way too expensive and the bureau could do better with FTS • Dissatisfied. Level of staffing caused by budget issues; Billing is one of the biggest problems; Technical expertise sometimes lacking; Coordination of installations and trouble tickets not being not being followed-up by TRW. Lucent sub-contractor not responsive. • In general, the bureau is dissatisfied with the level of service provided on both a technical level and on a business level. The volume of circuit outage/restore time is too high. It is frustrating to be in an environment where the contractor: 1) is not aware of outages, 2) has to be notified by the customer of the outages, 3) provides no credit to the customer for the outages, and 4) requires the customer to still pay for the NOC. • TCS lacks flexibility in providing service for customers. A case in point is the numerous requests needed to discontinue a service. A second example is a request for a second Internet circuit. The circuit took too long to install and TCS did an inadequate job of keeping us informed of the status. After the circuit was installed, TCS then refused to activate it unless it was encrypted. They said that it was a Treasury security policy that all TCS circuits had to be encrypted. As a result, our staff spent time preparing a request for exception and meeting with Treasury security staff. TCS also made us pay for the installation, monthly fee and maintenance for the encryption. We subsequently found out the encryption was not a requirement - TCS was citing a requirement published in a draft policy document that had never been approved. • TCS also provides inadequate network monitoring and support. For example, a hacker recently defaced one bureau's web site. When the bureau staff called the TCS network operations center, they were informed that no one was working that could shut down the server. The TCS technician said that he would contact the on-call technician. The on-call technician apparently was unavailable and the bureau could not get support until the next morning.

Questions	Answers Summarized From 10 Survey Responses
19. From your experience what ideas or suggestions do you have that would do the greatest to improve contract performance and your confidence that everything possible is being done to ensure the best possible contractor performance?	• TCS and PMO should listen to the customer and treat each Bureau as a separate customer. For example, the PMO will not cut maintenance on X.25 for the one bureau because other bureaus depend on nodes to operate. The bureau should not be shouldering the expenses of other bureaus. The PMO office should be able to resolve this in a timely fashion, but have failed to do so. • Does not think it can be fixed. • Change billing manager at TRW. Current manager not willing to change system. • The TCE staff does not know what Treasury's options are in the contract with TRW. When we ask about the contract, we are only told the contract is large. The TCE staff needs to tell the bureaus what "tools" are contractually available to guarantee/improve performance. A baseline set of monthly management reports would also be beneficial, e.g., number of outages in 30-day period, mean time to restore, type of outage, open troubles, etc. • TCS needs program managers who pay attention to the day to day operations and who are accountable to and meet regularly with their customers. • Continued availability of contract account representative and well-defined, effective escalation procedures. • The Contract Managers should meet with their agency representatives more often to discuss what impact if any will TCS plans and changes in management or infrastructure has on the agency. • Make the contractor more responsible for what they are doing and if they are not working up to standards get involved right away instead of letting it go on and on. • Better contractor-monitoring procedures by Government staff. Conduct feedback collection meetings with agency representatives at customer sites. • Assign a single point of contact for all aspects of a service request, including budgeting, invoicing, waivers, schedule, etc. Prepare a documented plan for the completion of service requests. When a service request is initiated, a plan would be established with critical milestones and completion dates. All dates would be clearly defined and agreed upon by the Program Management Office (PMO) and the bureau. The priority of the service request would escalate as the project becomes overdue. Overdue projects would impact the overall performance of the contract. • Monitor the satisfaction level for completed or overdue service requests
20. What input have you had on the shared cost methodologies?	None—7 • We identified items on the FY 2001 plan that are considered to be inappropriate costs for the bureau to pay. This has occurred in prior years also and the items were removed from the Financial Plan. The budget staff also identified that forecasted costs, based on a historical average, are not accurate due to the fact that 1999 was a very active year and those kinds of costs and activity will not take place in 2001. In addition, we are not provided with a detailed view of what the shared costs are for nor how the costs are allocated. • Review costs annually.
21. What additional information about the shared cost and departmental overhead components of the program would you like to see that would provide you with a more	• The IRS would like to get a better accounting of the 71% that it pays. It expects to see 71% of the work documented and reported quarterly, receive a breakdown of all shared costs by program and, expect a prompt closure of the end of the year books (Fiscal Year expenditures to validate carryover amounts). • FMD should prepare a budget like everyone else and then it should be divided among the bureaus. They get millions of dollars to write 36 or so checks for our bureau. • Open discussion, bureau visits to establish guidelines. This year, because of forced AT&T to Qwest transition, one bureau's circuit cost will be doubled. This should not be used to

Questions	Answers Summarized From 10 Survey Responses
informed view of the program?	determine shared base for next year because it was a one-time transition cost. • A breakout of the TCS labor category. The FY01 TCS labor charge of $1,156,300 represents 58% of our shared costs. • How the shared cost was tabulated and why those costs are so high. • Need more info on what is driving the increases and decreases in order to make informed decisions. We want to feel confident that what we pay is what we owe; need more coordination with the bureaus - more customer service. • A report along with the budget request that shows the number of employees in the agency, the actual prior year costs (total) and the impact on overall percentage the agency is being asked to contribute. • Two bureaus would like an understanding of how the entire program works and how the numbers are created.
22. Do you fully understand the process for allocating shared costs? If not, what would you would you like to know about the process?	No—5 Yes—4 No answer--1 Other comments: The concept is understood, but not the application. TCE groups all of their "product lines" into a single category. If they offered their services as separate "product lines", the cost of their "product lines" could be compared to other sources. For example, we could use the firewall "product line" and the internet "product line" but not the NOC. Undesirable or excessively priced "product lines" would no longer have to be accepted.
23. Do you think the allocation methods are equitable? If not please explain.	No—5 Not sure—2 Yes—2 No answer-1
24. From your experience, what ideas or suggestions do you have that would do the greatest to improve the method for allocating costs and your confidence that resources for shared costs are being effectively utilized?	• Quarterly accounting to the bureaus of the work performed and prompt balancing of the books would be most beneficial. Also, Bureaus pay Treasury to collect money from them when Bureaus could probably pay the bills themselves. This would eliminate some of the Financial Management Division's overhead charge of 4% as well as a portion of the Treasury overhead costs. The PMO should withhold Award fees unless there proves to be satisfactory performance by the contractor. Lastly, Bureaus should be allowed to be more autonomous in the bill paying process. • Any shared cost projects should be pre-approved by the Bureaus, not just thrown into the list of projects paid for by shared costs. Is D.O. oversight of Bureau communications programs needed at Treasury? • TCS should offer different "product lines" to the Bureaus. Rather than lump them altogether, have each "product" stand on its' own merit. As a unique "profit center" with its' own overhead and G&A rate, the Bureaus could easily determine which "products" offer value. This approach would relieve the Bureaus of paying for shared cost services they do not utilize. The TCS office would be able to focus on the "products" that are not competitive/desired, reengineering/developing new "products" that meet the Bureaus needs. • Use actual cost (if not already) and not financial plan cost to determine allocations. TCS should provide a overall summary that would include a cost history showing the cost of TCS and include explanations in rising cost and what actions are being implemented to reduce cost and still provide quality service. • Tie the costs closer to the number of employees in the agency and use this formula to divide shared costs.
25. In addition to any suggestions provided above, what other issues	• None. The services we have are running fine. The lack of confidence in the contractor has forced us to look to other sources. • Provisioning of circuitry from the Local Exchange Carriers and documentation of circuit

Questions	Answers Summarized From 10 Survey Responses
is your bureau facing in terms of providing effective telecommunications services?	routes for circuit diversity. • Inability to move rapidly, process is slow, process changes for no reason, e.g., TCS circuits not allowed to be pre-approved for ordering, policy and procedure change day to day. • We are faced with many of the same issues as all Federal organizations. In general, the challenges of meeting rising customer expectations for I.T. in both scale and complexity with limited budgets are ever-present. Attracting and retaining skilled I.T. workers while maintaining the skill sets of existing staff is also an ongoing challenge. • The ever changing account representative.
26. What ideas do you have for improving delivery of telecommunications services to the bureaus?	• Establish Service Level Agreements with the vendor with penalties and payback processes when service performance is not met. • Do away with the CLIN system and establish Time and Material contracts throughout the TCS—or give Bureaus the option to use Time and Material. • Clear red tape. Let things flow efficiently through the system/channels. • Allow bureau to deal directly with service vendors. Do we need engineering process with simplified frame relay? Time from service request to service implementation is too long. • Consideration should be given to purchasing "commodity" services on a commercial basis without using integrators. • Service levels must rise. A 99.9% uptime is required for the mission critical systems these systems support. • Faster response times and notification of outages is required. • Accurate and up-to-date billing information is required. • More flexibility in the services provided, invoke a cost reduction initiative that consistently seeks out better more cost-effective alternatives and show the value gained by switching to these alternatives.